



FINANCIAL
SERVICES
INSTITUTE
of Australasia

1 October 2013

Ms Nicole Chew
Lawyer, Financial Advisers
Australian Securities and Investments Commission

By email: policy.submissions@asic.gov.au

Re: Finsia's response to Consultation Paper 212

Dear Ms Chew,

Finsia is pleased to have the opportunity to provide a response to the initiatives proposed in Consultation Paper 212 "Licensing: Training of financial product advisers – Update to RG 146". We believe that as the premier professional body for individuals working across financial services, and as a former training provider ourselves, we are well placed to comment on the broad scope of this proposal.

Finsia fully supports ASIC's initiatives to review training standards for financial advisers, and is largely in favour of the structure proposed.

However, we believe that this can only succeed in its intent if is part of a broader strategy to improve the professional competence (as opposed to the technical knowledge) of financial advisers and thus restore trust in this important subsector of financial services. We also believe a more integrated approach for advising that acknowledges the critical role of the Responsible Manager and risk management frameworks is warranted. With more and more Australians approaching retirement and/or managing their own superannuation, the need for a nationally recognised, integrated benchmark for competence in this area has never been more critical.

We broadly support the expansion of content scope proposed for RG 146, for knowledge and skill requirements, with some caveats and queries. We also support increasing the educational level requirements for Tier 1 and Tier 2 advisers.

However, we believe that this can, at best, provide only a partial solution to improving professional competence.

In brief, our overall recommendations are that ASIC:

- > Resolve the current ambiguity on how much knowledge and skill needs to be obtained in each area by providing a series of outcome statements, or risk the same ambiguities leading to the same inconsistent provider outcomes.
- > Revive the requirement from CP 153 for an on-the-job requirement comprising an element of mentoring and supervision, to address the limitations of a university degree (outlined following) and the expected consequence of a degree being the minimum requirement.

finsia.com

Level 18
1 Bligh 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

- > Recommend that ethics is instead taught contextually, and in practice. Industry associations are best placed to do this, given their applied focus and practitioner access, ideally from within a course/module on professional industry practice. It should be provided via blended learning. We also believe existing advisers should need to undertake some study in ethics (or provide evidence of having done so).
- > Abandon the transitional approach, and provide a longer timeframe for a single new Regime introduced by 1 January 2019.

For reasons we will explain following, we believe that only an integrated approach will raising professional competence and adequately meet the recommendations of the Ripoll Report, the Cognitive Task Analysis, industry surveillance and CP 153 . Merely raising the level of qualification (and expanding the topic areas this qualification must include) will not achieve enhanced standards on its own, as it comprises only one aspect of the effort required. The Smith report on financial ethics (quoted in CP 153) noted that education only plays a relatively minor role in raising standards:

“Any attempts to increase standards and conduct across the advisory sector will also need to take into account that contextual factors within organisations have a greater influence on the behaviour, conduct and decision making of an individual than factors such as education and competency levels. The influence of contextual factors will need to be modified commensurate with competency and conduct initiatives” .

Stronger qualification requirements also introduce their own set of considerations (e.g. cost and thus accessibility).

There are other, further limitations to the proposal that must be considered, and some require discussion outside the questions posited by the Consultation Paper. The next section of this response, Part 1, discusses the limitations we have identified that have lead to our recommendations. Part 2 answers the specific questions outlined in CP 212, cross-referencing to Parts 1 and 3 where appropriate. Part 3 provides a detailed analysis of the expanded content areas proposed in Appendix A of CP 212, in an effort to provide constructive advice on integrating knowledge more effectively, and addressing the inconsistency that has hindered (or even rendered ineffective) so much of the training provided on RG 146 to date.

Please do not hesitate to contact me if you would like further information regarding the issues raised in this submission.

Yours sincerely,



Russell Thomas F Fin BA LL.M
CEO and Managing Director

finsia.com

Level 16
1 Margaret 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 96066027389

Part 1: The pros and cons of the proposed approach

There are four key limitations to the approach proposed in CP 212, and this section explores each.

1. Ambiguity of content scope — use outcome statements instead

The proposed amendments to RG 146 suffer from the same issues as the existing regulatory guidance: ambiguity and inconsistency. Because much of the wording is loose and does not define scope (i.e. how much of any topic area needs to be understood), there is every risk that the same inconsistency in training provider approach will be the result, as is currently the case.

Note that the current Diploma-equivalent requirement also sits within the Australian Qualifications Framework (AQF), so merely raising the AQF level does not mean the confusion will end; the same wildly varying results will eventuate (e.g. some providers glossing over an area while others devote an entire module to it). The result is likely to be the same.

Instead, we believe that ASIC needs to express the body of knowledge and skill proposed as a series of learning outcome statements – what people should know, and be able to do. Recommendations on the most appropriate types of assessment for each area is also useful, and could possibly be adapted from the Cognitive Task Analysis.

Further, some of the suggested changes further cement some of the inconsistencies between product treatments. For example, the suggestion to add ‘portfolio construction’ to Securities makes sense, but why not have the same requirement for derivatives and managed investments? Both are typically the core product in a portfolio strategy, or act to mitigate/diversify risk within a broader portfolio.

Further, some of the suggested additional content for RG 146’s knowledge and skill requirements blurs the lines between financial planner and financial adviser, treating all as the former. We agree with the Financial Planning Association’s assertion that the distinction is not well understood, and this will not assist it. We are unsure how an understanding of, for example, social security and Centrelink benefit implications will assist a stockbroker who is selling shares only to a retail client. That said, the enhanced taxation requirements are definitely appropriate in this instance.

See Part 3 of this report for detailed feedback on each area, and suggestions for additional content. We have not attempted to delineate the ‘how much’ question or provide outcome statements as we believe that requires further consultation between ASIC and industry.

2. Support a Bachelor degree for Tier 1 – but understand the practical limitations

We agree that the knowledge and skill requirements to be a financial planner fits better at Level 7 of the Australian Qualifications Framework (AQF). However, consideration should be given to the impact this might have on limiting the number of providers and courses, and the material cost considerations.

We also support the proposal to retain the same standard of generic and specialist knowledge for both general and personal advice providers. Someone providing general advice will need to understand life stages or social security when promoting a product in a public forum. An understanding of behavioural economics is also useful here. That said, we are not sure whether budgeting or risk profiling is appropriate for general

finsia.com

Level 16
1 Margaret 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 96066027389

advice, and a different standard for general advisers may be appropriate. The lines between general and personal advice are already blurry, and we would be concerned they would become blurred further and introduce risk for licensees and representatives.

Further, universities cannot and do not make the distinction between 'knowledge' areas and 'skill' areas in their curriculum the way that VET allows, so general and personal advisers will likely be required to achieve the same qualification. This will also raise costs for general advice providers.

Finsia recently completed a survey of Bachelor degrees in financial services, and found that many were typically a loose stream of subjects, with specialisation areas, but little or no integration of knowledge as per a 'capstone'-style subject, and little encouragement of workplace application via assessment. Instead, assessment is synthetic and artificial evidence – a simulated case study or role play, rather than the provision of naturally occurring workplace evidence (as is provided for in the VET sector). Subjects are typically taught by academics, rather than current industry practitioners.

To resolve this, we encourage ASIC to stipulate that the Bachelor degrees offered are 'applied' in teaching and assessment rather than just theoretical, straight 'financial planning' courses. The Graduate Diploma of Applied Finance offered by Kaplan Online Higher Education and the Macquarie Applied Finance Centre provide useful examples of how this works in practice.

However, we still believe there will be a requirement for advisers to be supervised and mentored once in professional practice, and encourage ASIC to revive this aspect of CP 153. However, because most organisations will not have the skill or resources to independently assess this competence gained on the job, we also believe there is a role for some professional practice training, typically provided by an industry association.

A Diploma for Tier 2 — also needs learning outcome statements

Finsia agrees that a Diploma is the most appropriate representative level of the knowledge and skill required to provide advice on Tier 2 products. However, the lack of learning outcome statements provided for the core topics will introduce the same issues/risks that are currently experienced in Tier 1 training, with no extra mitigations in place, and outlined in Part 1 (1) above.

That is, there will be a rush of providers, and the list of topics contained in RG 146 is vague, inconsistent and does not provide sufficient indication of depth or even breadth of the coverage required of each topic. This will result in some inconsistent treatment as for Tier 1 presently: some providers will be teaching the bare basics inadequately, and some will over-compensate according to their areas of expertise/access to content.

Further, the list of topics treated in the various Tier 2 products is uneven and inconsistent (for example, why do you need to know about the market participants and taxation in insurance, but not for deposit/non-cash products?).

Note the cost of raising educational level requirements

A Bachelor degree in particular averages about 15 times the average cost of a Tier 1 Diploma-level solution, on average (\$30,000: \$2000). This dramatic increase in training costs raises access and equity issues for potential students

Most employers to date have trained Tier 2 in house, and needing to confer a qualification via an RTO will raise costs here substantially at a time of unprecedented compliance costs pressures.

finsia.com

Level 16
1 Margaret 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 96066027389

We suspect that many employers will henceforth set both educational requirements (Tier 1 and 2) as an essential pre-requisite for gaining employment, thus effectively transferring the entire cost to the employee. While this is a perfectly valid strategy, it is problematic in that the high costs for entry into financial planning become a barrier for potential participants, particularly for lower-paid advisers (e.g. those providing telephone-based general advice in Tier 1 products). It will also likely discourage current or international participants in related areas from making career changes, given the high establishment costs they would face under this proposal.

We are aware that the ADA and RE requirements are also likely to remain (as they are part of the Market Integrity Rules), which means an extraordinary level of training will be required for a senior derivatives adviser, for example. There seems to be extensive overlap in these areas and we would seek some harmonisation where appropriate, particularly now that ASIC is responsible for all three.

We note the unclear status regarding the Australian Taxation Office's proposal to cap self-education costs at \$2000/year. While this proposal is currently deferred, its possibility further compounds the concerns above.

3. Teaching Ethics

Ethics is an important area, and the scandals over unethical practices in recent years have comprehensively rattled consumer confidence. We believe that the substantial losses suffered by many retail clients were more the result of poor ethical practices and internal controls, rather than a lack of knowledge or skill on the part of the advisers. (In fact, their deception was often at a level of sophistication that indicated a very advanced level of product knowledge and advising skill.)

We welcome the inclusion of ethics as a topic area, but do not believe it should be taught within an award qualification, absent a workplace context. See the Smith paper referenced above as to why this approach is problematic. There is a large body of academic evidence to substantiate this view.

Instead, we believe that ethics (as a theory, as a practice of moral and critical reasoning and decision making, as a problem-solving discipline) is best taught embedded within a professional practice module, and backed by an enforceable code of conduct (for example, see the CFP 1 module, offered by the Financial Planning Association). This resolves two key limitations of CP 153 and 212: it provides a formal training and assessment framework that 'inducts' an employee into professional practice standards objectively (i.e. arm's length from individual firm's governance structures and risk appetite), and it allows ethics to be taught in a contextualized, relevant setting with rigorous assessment.

While we do not believe the enhanced qualification requirements should apply to existing advisers (most of them could prove this via documentation of current competence anyway), we do think it is important that they undertake an ethics course of their own, or provide evidence of having done so. We believe this is important because the crises of confidence in the quality of financial advice has largely arisen because of ethical issues, not a lack of knowledge. To restore confidence in this sector, situational/contextual ethics and moral reasoning training is critical.

4. Transition period unhelpful

We do not support the suggested transition regime from B to C for two reasons: not enough time is allowed to meet Regime B, and the difficulty of transitioning/upgrading a qualification from the VET to Higher Education sector.

finsia.com

Level 16
1 Margaret 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 96066027389

Developing competencies to match the topic areas listed in Appendix A of RG 146 takes time; typically a year or so in our experience in the VET sector. From there, course and assessment materials must be developed, vetted and tested. We note how few Advanced Diploma providers currently exist, and how few Tier 2 award qualifications currently exist. Then the courses must be completed by the student. All of this simply cannot be done by 2015, it is simply impossible. See how delayed the VET competencies took to develop for Regulated Emissions Units (close to 12 months).

We believe this aspect of the proposal also misunderstands the difficulty of transitioning qualifications from the VET to higher education sector. For example, it is hard for a student with a VET qualification to gain advanced standing in a meaningful way to a Bachelor degree. Both qualifications differ in AQF complexity/volume rules, and hence they will likely need to repeat many subjects at university. It is very difficult to simply say "X subject equates with Y and you therefore do not need to repeat it". They are taught at different depths.

Even across universities credit transfers are complex, and most universities have strict rules on how much credit they will provide. An adviser required to meet one regime (say, the B regime Advanced Diploma for securities), then needing to add Derivatives under Regime C) will effectively mean almost a whole course will need to be completed. Most planning a career in financial planning will elect for a Bachelor degree in the first instance, simply because adding another product via a single subject is far more straightforward.

Secondly, if the knowledge and skill outlined in Appendix A is the same for both Regimes proposed for Tier 1 and 2, then it is entirely unclear what the difference is between them that justifies a different qualification under each regime, and why. This apparently misunderstands the AQF's rule that each level of qualification differs in complexity and volume: "AQF levels and the AQF levels criteria are an indication of the relative complexity and/or depth of achievement and the autonomy required to demonstrate that achievement". To be different levels of qualifications, the knowledge and skill outlined in Appendix A must differ in complexity and volume, or it doesn't make sense.

Further details of our considerations and recommendations are provided following.

finsia.com

Level 16
1 Margaret 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 96066027389

Part 2: Specific responses to CP 212 questions

In this section, we respond to specific question asked in CP 212, where they do not require detailed discussion. Many of the broad themes are covered off above, so cross-referenced where appropriate.

Changes to generic knowledge	
B1Q1 Do you agree that knowledge of all topics in generic knowledge should be mandatory for advisers undertaking training under Regime B and Regime C who provide general advice and personal advice on Tier 1 products? If not, why not?	We are unconvinced about the requirement to have all areas for both general and personal advice. That said, degree qualifications are unlikely to facilitate a distinction between general and personal advice, so in practice we think both will be trained to the same standard.
B1Q2 Do you agree with our proposed changes to the topics for generic knowledge? If not, why not?	See above – yes, but only to a point. Education is only part of the solution, other strategies to improve competence are needed. See Part 1 for more details.
B1Q3 Do you think it is appropriate for 'financial structures and their taxation implications' and 'awareness of taxation' to be included as new topics, given that it is proposed that the Tax Agents Services Act 2009 and relevant regulations will apply to advisers who provide tax (financial) advice services?	Yes, although tighten up the wording (what is 'awareness', for example – hard to measure. Active verbs such as 'identify' or 'describe' make it easier to benchmark). See Part 1 (1) on the need for outcome statements.
B1Q4 Do you think knowledge of the additional topics in generic knowledge should only apply to advisers undertaking training under Regime B and Regime C who provide personal advice on Tier 1 products? (This would mean there would be no change to the generic knowledge requirements for advisers who only provide general advice in this area.) If yes, please provide reasons.	No, we believe it is appropriate to general and personal advisers, and in practice, those undertaking degrees will be trained to the same standard anyway.
B1Q5 Are there any additional generic knowledge topics we should include? If yes, please describe them.	We think ASIC should include a topic explanation of the Best Interests Duty, specifically the requirement to prioritise the client's interests where there is a conflict, what is incomplete information and how to identify it (and understand how it may affect the advice or ability to develop it) and how to identify if you cannot provide advice (or should not).
B1Q6 Do you anticipate any practical difficulties that would result from complying with the proposed additional generic knowledge requirements? If yes, please provide details.	Only the suggestion for a two staged-regime – see Part 1 for discussion of why this is unnecessary and unhelpful.
B1Q7 Do you consider that the proposed	It will improve it – to a point. See Part 1 of

finsia.com

Level 16
1 Margaret 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 96066027389

changes to the topics for generic knowledge will affect the quality of advice consumers receive? If so, please provide details, both positive and negative.	our response for more details.
B1Q8 Do you consider that the proposed changes to the topics for generic knowledge will impose additional costs on advisers and AFS licensees? Please provide specific details.	Yes, with resultant access and equity issues. See Part 1 for more details.
Changes to financial planning knowledge	
B2Q1 Do you agree with these proposed additional topics? If not, why not?	Yes.
B2Q2 Do you think that the proposed additional topics should only apply to advisers undertaking training under Regime B and Regime C who provide personal advice in financial planning? (This would mean there would be no change to the financial planning specialist knowledge requirements for advisers who only provide general advice in this area.) If yes, please provide reasons.	No, we believe a benchmark is a benchmark, and if ASIC considers this baseline knowledge, then all should have it, whether they provide general or personal advice. In practice, degrees under Regime C are unlikely to distinguish between the two areas anyway.
B2Q3 Do you consider that there are any practical difficulties with complying with these proposed additional requirements? If yes, please provide details.	Only the confusion that three different regimes will impose, and our concerns over the vague, unhelpful language used to describe topics and lack of outcome statements (see Part 3 for more details).
B2Q4 Are there any other topics we should include in 'Financial planning (specialist knowledge)'? If yes, please describe them.	Some theory of strategy development is required, rather than just listing it as a stage in the skills advice provision process. To date much strategy is provided by a computer program, but we believe advisers should be skilled to do it manually (particularly if they are independent and trying to avoid conflicts). See Part 3 for details.
B2Q5 Do you consider that the proposed changes to the financial planning specialist knowledge requirements will affect the quality of advice consumers receive? If so, please provide details, both positive and negative.	See above (B1Q2) – yes, but only to a point
B2Q6 Do you consider that the proposed changes to the financial planning specialist knowledge requirements will impose additional costs on advisers and AFS licensees? Please provide specific details.	Yes. See B1Q8 for details.
Changes to securities knowledge requirements	
B3Q1 Do you agree with this proposed additional sub-topic? If not, why not?	We agree, but query why it is only included in Securities, and not in all product areas (e.g. Derivatives, Managed Investments).
B3Q2 Do you think that the additional	This one is complex. It makes life easier to

finsia.com

Level 16
1 Margaret 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 96066027389

proposed sub-topic should only apply to advisers undertaking training under Regime B and Regime C who provide personal advice on securities? (This would mean there would be no change to the securities markets specialist knowledge requirements for advisers who only provide general advice in this area.) If yes, please provide reasons.	be consistent across knowledge requirements for GA and PA, but it is unclear how you would need this topic just to provide GA.
B3Q3 Do you consider that there are any practical difficulties with complying with this proposed additional requirement? If yes, please provide details.	Only the confusion that three different regimes will impose, and our concerns over the vague, unhelpful language used to describe topics (see Part 3 for more details).
B3Q4 Are there any other topic areas we should include in 'Securities markets (specialist knowledge)'? If yes, please describe them.	Yes. See Part 3. Also unclear how suggested inclusion satisfies the aim set out in 212.75 – too vague.
B3Q5 Do you consider that the proposed changes to the securities market specialist knowledge requirements will affect the quality of advice consumers receive? If so, please provide details, both positive and negative.	Yes, but only marginally. Larger issue of defining <i>how much</i> knowledge in each area is required has not been resolved.
B3Q6 Do you consider that the proposed changes to the securities market specialist knowledge requirements will impose additional costs on advisers and AFS licensees? Please provide specific details.	Yes. See B1Q8 for details.
Changes to superannuation requirements	
Do you agree with these proposed additional sub-topics? If not, why not?	Yes, they are timely.
B4Q2 Do you think that the proposed additional sub-topics should only apply to advisers undertaking training under Regime B and Regime C who provide personal advice on superannuation? (This would mean there would be no change to the superannuation specialist knowledge requirements for advisers who only provide general advice in this area.) If yes, please provide reasons.	No, as per B2Q2.
B4Q3 Do you consider that there are any practical difficulties with complying with these proposed additional requirements? If yes, please provide details.	Yes, see B2Q3.
B4Q4 Are there any additional topic areas we should include for 'Superannuation (specialist knowledge)'? If yes, please describe them.	We believe more specific knowledge requirements viz. CP 216 are useful. See Part 3 for more details.
B4Q5 Do you consider that the proposed changes to the superannuation specialist knowledge requirements will affect the	See above (B1Q2) – yes, but only to a point.

quality of advice consumers receive? If so, please provide details, both positive and negative.	
B4Q6 Do you consider that the proposed changes to the superannuation specialist knowledge requirements will impose additional costs on advisers and AFS licensees? Please provide specific details.	Yes. See B1Q8 for details.
No changes to other knowledge areas	
B5Q1 Do you think we should make substantive amendments to the specialist knowledge requirements for derivatives, managed investments, insurance (general, life and broking), deposit products and non-cash payment products, foreign exchange, FHSAs, margin lending facilities or regulated emissions units? If yes, please provide details.	Yes. The areas need to be consistent in approach and even in the little guidance provided on depth/scope of knowledge required. Derivatives are no more or less complex than a margin lending product, for example (and generally as risky given the leverage also involved), so it is unclear why less technical knowledge is required. Further, we query why the reference to Registered Representatives is still contained in Derivatives, and would appreciate establishing the ongoing status/necessity of ADA in this framework.
B5Q2 Do you think that we should conduct CTA research for the other specialist knowledge requirements? If yes, please provide details.	Yes, for the reason provided in B5Q1. The CTA to date has proven constructive and insightful and provided good suggestions. The scope of job role analysed also needs to be expanded – see Singapore IBF’s job competency/capability analysis (for the designation FICP) ¹ .
Changes to skill requirements	
C1Q1 Do you agree with our proposed changes? If not, why not?	Yes, but we believe these are hard to effectively and authentically assess via a University qualification for Tier 1. They need to be linked back to an employer mentoring/on-the-job skills requirement. See Part 1.
C1Q2 Do you anticipate any practical difficulties with these proposed changes to the skill requirements? If yes, please provide details.	Yes. See C1Q1.
C1Q3 Are there any other skill requirements that you think should be included? If yes, please describe them.	Yes. We believe specific stages that cover off the new FOFA Best Interests Duty safe harbour are valid. Otherwise following the steps as currently laid out will not satisfy it. Also strategy and the integration of information, and the link between strategy implications, existing risks (and risk

¹ Singapore has an exhaustive framework of core job competencies mapped across financial services, not just the advice sub-sector. See <http://www.fics.org.sg/AboutFICS/FICSStandards.htm> for more details. Finsia introduced the FSP as the Australian equivalent, but to date has only offered it for Retail and Business Banking professionals. There has been little demand for an advice equivalent for this best-of-breed capability credential.

finsia.com

Level 16
1 Margaret 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 96066027389

	tolerance) and ensuring the client understands the ramifications. See Part 3 for details.
C1Q4 Do you consider that the proposed changes to the skill requirements will affect the quality of advice consumers receive? If so, please provide details, both positive and negative.	See above (B1Q2) – yes, but only to a point
C1Q5 Do you consider that the proposed changes to the skill requirements will impose additional costs on advisers and AFS licensees? Please provide specific details.	Yes. See B1Q8 for details.
Increase in Tier 1 education requirements	
D1Q1 Do you agree with our proposal to increase the educational level requirements for Tier 1 products? If not, why not?	Yes, but we note its limitations.
D1Q2 Do you anticipate any practical difficulties with our proposed educational level increases? If yes, please provide details.	Yes. The timeframe proposed is not sufficient. Costs are of concern.
D1Q3 Do you consider that the proposed changes will affect the quality of advice consumers receive? If so, please provide details, both positive and negative.	Yes, but only to a point. See B1Q2.
D1Q4 Do you consider that the proposed changes will impose additional costs on advisers and AFS licensees? Please provide specific details.	Yes. See B1Q8 for details.
D1Q5 Do you agree that our proposal to increase the educational level requirements should apply to advisers who provide general advice only? If not, why not?	No, although it may be difficult to confer an award qualification without some 'practical application' component (i.e. skills, which general advice does not require). In practice we believe few universities will distinguish between the two, as typically discipline-wide graduate outcomes require skills assessments.
Changes to Tier 2 education requirements	
D2Q1 Do you agree with our proposal to increase the educational level requirements for Tier 2 products? If not, why not?	Yes, but flag our concerns. See Part 1 of this response for more details.
D2Q2 Do you anticipate any practical difficulties with our proposed educational level increase? If yes, please provide details.	Yes, as per D1Q2.
D2Q3 Do you consider that the proposed changes will affect the quality of advice consumers receive? If so, please provide details, both positive and negative.	Yes, but only to a point. See B1Q2.
D2Q4 Do you consider that the proposed changes will impose additional costs on	Yes. See B1Q8 for details.

finsia.com

Level 16
1 Margaret 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 96066027389

advisers and AFS licensees? Please provide specific details.	
D2Q5 Do you agree that our proposal to increase the educational level requirements should apply to advisers who provide general advice only? If not, why not?	No. See D1Q5 for more details.
Proposed implementation schedule	
E1Q1 Do you agree with our proposed implementation in stages of the increased training standards? If not, why not?	No, we believe it will create confusion amongst both licensees and consumers of advice. Plus the staged approach is arbitrary – if the scope of content is the same, then it must be the same AQF level equivalent required. Otherwise you need to clearly delineate how Regime C is more complex than Regime B.
E1Q2 Do you agree with the commencement date of 1 January 2015 for the increased training standards for Regime B? If not, why not?	No. It is insufficient, given the relative paucity of Advanced Diplomas presently available. Good training takes time (around a year) to produce for a full qualification, and longer for a Bachelor Degree. In the VET sector, all new competency standards must be developed by IBSA and endorsed by the NSSC, which can be a lengthy and arduous process – see how long it took for standards on regulated emissions units to appear. Quality RTOs will not have time to develop materials and train/assess advisers to the standard ASIC now expects by then, given it is already September 2013 and the guidance is not yet finalised. This tight a timeline will only encourage the rushed development of standards and courses, leading to the same problems as the current framework.
E1Q3 Do you consider that there will be sufficient courses available before 1 January 2015 to cover the proposed new knowledge requirements for Regime B? Please provide details.	No. See E1Q2. The few current incumbents (11) will gain considerable advantage, without needing to prove quality.
E1Q4 Do you consider that there will be sufficient courses available before 1 January 2015 to cover the proposed new skill requirements for Regime B? Please provide details.	No. See E1Q2.
E1Q5 Do these transition periods provide sufficient time for training providers to develop new courses and for advisers to complete them before the commencement of Regime B and Regime C? Please give data about the length of time usually taken to develop new courses.	No for Regime B, yes for Regime C. A full VET qualification course (from scratch) typically takes a year or so to develop <i>post</i> the competency standards being developed (and assuming they're available, which they're not in this instance). This is particularly the case if done correctly i.e. with industry

finsia.com

Level 16
1 Margaret 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 96066027389

	<p>engagement/input (often using volunteers). Then training needs to take place, typically two years for new advisers, less for those adding authorisations. There simply isn't enough time allowed. Then they may need to upgrade to a Level 7 anyway.</p> <p>We recommend deleting Regime B and proceeding with Regime C for this reason. The ability of universities to self-accredit courses expedites development tremendously.</p>
E1Q6 Do you agree that the proposed changes to an AQF Level 6 Advanced Diploma for Tier 1 advisers and an AQF Level 4 Certificate IV for Tier 2 advisers should only apply to advisers who start providing financial product advice or change their advice activities on or after 1 January 2015? If not, why not?	See E1Q5. We do not see the benefit (or the sense) in this regime.
E1Q7 Do you agree that the proposed changes to an AQF Level 7 Bachelor Degree for Tier 1 advisers and an AQF Level 5 Diploma for Tier 2 advisers should only apply to advisers who start providing financial product advice or change their advice activities on or after 1 January 2019? If not, why not?	<p>Yes, given the costs involved. We believe that existing advisers should be encouraged to learn the new knowledge and skill areas, but are agnostic as to how licensees achieve this. We anticipate that most firms will train existing advisers in the new areas via on-the-job Learning and Development Plans (currently required under RG 146) in future years and in-house courses, similar to the FINRA Firm Element.</p> <p>However, we do believe existing advisers should be required to undertake additional situational ethics training (or provide proof of having done so).</p>
E1Q8 Do you consider that there would be sufficient time to develop courses to deliver training at a Level 7 Bachelor Degree level for Tier 1 products in the timeframe proposed?	Yes. As mentioned in E1Q5, the universities' ability to self-accredit (and avoid the IBSA/NSSC process) expedites things tremendously. There are already almost six times more courses (than VET Level 6) available that need only updating/expanding.
E1Q9 Do you agree that advisers who change their advice activities during the period of a particular regime such that they require additional training should complete their training at a level that meets the requirements of that particular regime? If not, why not?	Yes.
E1Q10 Are there any other practical considerations that we should be aware of arising from the proposed implementation framework?	Only those raised in Part 1 of this response.
Personal sickness/accident insurance	
F1Q1 Do you consider that personal sickness and accident insurance should	We have no comment on this area (F) of the proposal.

finsia.com

Level 16
1 Margaret 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 96066027389

remain as a Tier 1 product or be reclassified as a Tier 2 product? What are the reasons for your suggested approach	
F1Q2 What business and consumer impacts would result from retaining the Tier 1 classification, or changing the classification to Tier 2?	
Consumer credit insurance changes	
F2Q1 Do you consider that consumer credit insurance should remain as a Tier 2 product or be reclassified as a Tier 1 product? What are the reasons for your suggested approach?	
F2Q2 What business and consumer impacts would result from retaining the Tier 2 classification, or changing the classification to Tier 1?	
F2Q3 Should like products (e.g. life insurance, sickness and accident insurance, consumer credit insurance) be classified together in the same tier? If not, why not? If so, is Tier 1 or Tier 2 more appropriate for these products? What rationale could be used to justify treating such like products differently?	
F2Q4 Is consumer credit insurance more often sold to consumers with or without financial product advice?	

finsia.com

Level 16
1 Margaret 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 96066027389

Part 3: Feedback on proposed changes to generic and specialist knowledge and skill requirements

Rather than providing discursive feedback on the improvements that have been suggested, and where we thought further work needed to be undertaken, we thought it might be easier to provide a 'marked-up' copy of the areas in question (as per Appendix A in CP 212). See below for more details.

When shaping and categorising our feedback, we broadly consider groupings as follows:

- > Generic knowledge: implicit/tacit knowledge required to develop good advice
- > Specialist knowledge: the knowledge discussed explicitly with clients when developing/providing advice
- > Skill: the 'how' of advice, what an adviser must be able to do when developing/providing advice.

Bear in mind that all suggestions provided below are framed by the over-arching requirement for the 'scope' of knowledge and skills detailed below to be defined – how much of each topic needs to be explained? Without delineating this, the new qualifications required will grapple with the same issues as those currently recommended.

Table A1: Generic knowledge

Topic	Proposed content	Further suggested content/coverage
The economic environment	<ul style="list-style-type: none"> ▪ characteristics and impact of economic and business cycles ▪ interest rates, exchange rates ▪ inflation ▪ government monetary and fiscal policies <p>Additional requirement for Regime B and Regime C:</p> <ul style="list-style-type: none"> ▪ links between these systems and how they interact 	<p>Should also consider including:</p> <ul style="list-style-type: none"> ▪ Supply and demand ▪ Geopolitical context: Australian markets increasingly globalised, and need to recognise impact of global forces and action (e.g. US Fed policy, European economic crises, etc.). ▪ Agree with suggested inclusion, synthesis of information adds real value for clients.
Operation of financial markets	<ul style="list-style-type: none"> ▪ roles played by intermediaries and issuers structures and inter-relationships within the financial markets ▪ inter-relationship between industry sectors 	<ul style="list-style-type: none"> ▪ Also need to understand impact of general financial risks on these markets: credit, operational, liquidity and market. Then pick it up again in specialist areas for specific impact. ▪ Important to understand licensee risk management, particularly for Responsible Managers. Many scandals highlighted failures in internal controls, and this risk is not discussed anywhere. ▪ What about participants other than intermediaries and issuers? There is much integration in providers,

finsia.com

Level 16
1 Margaret 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 96066027389

		leading to potential conflicts. Also role of RBA e.g. not just a policy maker but also a participant (e.g. FX sales)
Financial products	<ul style="list-style-type: none"> ▪ concept of a financial product—general definition, specific inclusions, exclusions ▪ types of financial investment products ▪ types of financial risk products (e.g. derivatives, risk insurance products) 	<ul style="list-style-type: none"> ▪ Also their use in hedging or investing for profit. ▪ All products are potentially risk management products, not sure how useful this depiction is.
Additional requirements for Regime B and Regime C:		
Financial structures and their taxation implications	<ul style="list-style-type: none"> ▪ common investment structures and their taxation implications, such as superannuation (retail, corporate and self-managed superannuation funds), trusts, companies, individual holdings, industry funds and defined benefit funds ▪ how to choose an appropriate structure to meet the needs of a client 	
Demographic trends and their impact on markets over the long term	<ul style="list-style-type: none"> ▪ demographic changes affecting Australian society ▪ understanding of the impact of increasing longevity on individual financial needs ▪ how to apply this knowledge when providing advice for an individual client 	
Concepts in behavioural economics	<ul style="list-style-type: none"> ▪ common cognitive biases (e.g. overconfidence, confirmation, anchoring) and their impact on financial thinking ▪ understanding the effect of framing on responses to questions ▪ an awareness of potential behavioural biases in understanding a client's situation and eliciting information from a client ▪ an awareness of this knowledge when providing advice to clients 	<ul style="list-style-type: none"> ▪ On last point, also need to know its potential <i>impact on client decision-making</i>
Budgeting	<ul style="list-style-type: none"> ▪ how to work with clients to accurately identify their spending patterns ▪ how to analyse a client's current spending patterns based on bank statements, credit card statements, spending diaries and other tools ▪ how to understand the implications of a client's current spending patterns on their long-term goals 	<ul style="list-style-type: none"> ▪ For this and next four areas, it is very planner-centric. Average stockbroker selling stocks to a retail client will not need to know this level of detail. Continuing confusion between a <i>planner</i> and an <i>adviser</i>. Suggest include them in financial planner knowledge areas instead (see next).

	<ul style="list-style-type: none"> ▪ how to explain the implications to a client in language that the client understands ▪ knowledge of effective individual change models and effective goal-setting approaches to assist the client to manage their spending ▪ how to implement these changes and goal-setting approaches with clients in real situations 	
Risk profiling/risk tolerance	<ul style="list-style-type: none"> ▪ understanding of risk assessment tools to help understand the risk profile/risk tolerance of the client ▪ how to use other information, including non-verbal information, to check the result provided by the risk assessment tool ▪ how to construct examples to test a client's risk appetite (e.g. large or sustained falls in the value of an asset) ▪ how to explain implications of risk appetite for achieving goals ▪ how to relate the risks of specific products or portfolios to the client's risk appetite ▪ how to use modelling tools to assess the effect on the client's objectives, financial situation and needs if the foreseeable risk eventuates ▪ understanding that risk profile/risk tolerance is dynamic rather than static and should therefore be checked regularly 	As above
Life stages and their characteristics	<ul style="list-style-type: none"> ▪ knowledge of common needs of clients at different life stages (e.g. starting employment, starting a family, considering retirement, old age) ▪ how to describe these common needs to clients to assist the client to determine their goals 	<ul style="list-style-type: none"> ▪ As above, plus need to understand <i>impact</i> of these stages on client objectives and likely advice relationship/advice sought.
Life events and their characteristic consequences	<ul style="list-style-type: none"> ▪ knowledge of the common needs of clients when life events occur (e.g. divorce, sale of a business, inheritance, retirement) ▪ how to describe these common needs to clients to assist the client to determine their goals 	As above

Awareness of taxation	<ul style="list-style-type: none"> ▪ capital gains tax ▪ company tax ▪ income tax ▪ superannuation tax arrangements (including self-managed superannuation funds) 	<ul style="list-style-type: none"> ▪ Need to make clear they need to identify and be able to explain the taxation regime in Australia, including but not limited to the areas listed here.
Ethics	<ul style="list-style-type: none"> ▪ the ethics of financial advice ▪ the responsibilities of financial advisers to their clients ▪ resolving ethical dilemmas 	<ul style="list-style-type: none"> ▪ This is very vague and problematic, and too important an area to be left as such. Suggest this form of training be left to professional industry associations as part of a 'professional' module, and mandated as part of their membership, with enforcement
High-level knowledge of social security regulations, provisions and legislation	<ul style="list-style-type: none"> ▪ aged care entitlements and arrangements (e.g. accommodation bonds) ▪ Centrelink benefits such as aged pensions and family benefits (including relevant concession and health care cards) ▪ the processes for engaging with Centrelink ▪ implications of assets and income for eligibility to Centrelink benefits 	<ul style="list-style-type: none"> ▪ Very planner focused, as per life stages.
High-level knowledge of the relevant legislation as it applies to trusts and self-managed superannuation funds	<ul style="list-style-type: none"> ▪ types of trusts ▪ obligations of trustees of self-managed superannuation funds ▪ role of directors and director responsibilities 	
Complaint processes and agencies	<ul style="list-style-type: none"> ▪ how to inform clients of their rights and the processes and mechanisms to handle complaints or disputes 	
Best interests duty (new)	<ul style="list-style-type: none"> ▪ Steps to satisfy the safe harbour. 	

Table A2.1: Financial planning (specialist knowledge)

Topic	Proposed content	Further suggested content/coverage
Theories of investment, portfolio management and management of investment and risk	<ul style="list-style-type: none"> ▪ range of financial products ▪ types of investment products (e.g. cash, fixed interest, property, equities, managed investments) ▪ types of financial risk products (e.g. risk insurance, derivatives) ▪ investment concepts ▪ investment strategies ▪ identification of types of risk ▪ client risk profile 	<ul style="list-style-type: none"> ▪ Investment concepts/strategies is vague and unhelpful.

finsia.com

Level 16
1 Margaret 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 96066027389

Advisory functions	<ul style="list-style-type: none"> ▪ the role of the financial planner ▪ participants in the advisory services market ▪ range of services provided ▪ the financial planning process 	
Legal environment—disclosure and compliance	<ul style="list-style-type: none"> ▪ the role of the representative/adviser and legal requirements that apply ▪ relevant legal principles (e.g. Corporations Act, ASIC Act, Privacy Amendment (Private Sector) Act) ▪ the relationship between ethics and regulatory requirements (e.g. good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest that may influence the adviser's recommendation) ▪ relevant industry standards and codes of conduct ▪ regulators' guidelines, including ASIC's requirements in this policy ▪ complaints resolution procedures (external and, if relevant, internal) 	<ul style="list-style-type: none"> ▪ Need to link ethics and regulatory requirements back to the application in professional practice – see Part 1 of our proposal for how we believe this is best done. ▪ 'Utmost good faith' is an arcane insurance concept not relevant to other product areas. Good faith is sufficient.
Taxation	<ul style="list-style-type: none"> ▪ the Australian taxation and social security systems ▪ relevant taxation laws and regulations ▪ effects of taxation on particular financial products ▪ effects of taxation on financial strategies of individuals and entities 	We think this is core information (i.e. 'generic' knowledge) across all products, then at product level must explain the specifics relating to a selected product.
Estate planning	<ul style="list-style-type: none"> ▪ theory of estate planning (i.e. allowable investments, enduring and non-enduring powers of attorney, share purchase agreements) ▪ management and investment strategies ▪ relevant taxation laws and regulations 	
Additional requirements for Regime B and Regime C:		
Detailed knowledge of social security	<ul style="list-style-type: none"> ▪ aged care entitlements and arrangements (e.g. accommodation bonds) ▪ Centrelink benefits such as aged pensions and family benefits (including relevant concession and health care cards) ▪ the processes for engaging with Centrelink ▪ implications of assets and income for eligibility to Centrelink benefits 	

finsia.com

Level 16
1 Margaret 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 96066027389

Providing financial advice to older Australians	<ul style="list-style-type: none"> ▪ understanding of the psychology of ageing and its common impacts on family dynamics ▪ understanding of powers of attorney ▪ knowledge of aged care arrangements, including accommodation bonds and accommodation charges ▪ considering or assessing longevity issues 	
Strategy development (new)	<ul style="list-style-type: none"> ▪ How to develop a strategy ▪ How to ensure the strategy aligns with client objectives, risk profile/tolerance and expectations ▪ Stress testing for different scenarios ▪ Case studies of typical strategies for various scenarios 	

Table A2.2: Securities markets (specialist knowledge)

Topic	Proposed content	Further suggested content/coverage
Operation of securities markets	<ul style="list-style-type: none"> ▪ market participants ▪ roles played by intermediaries 	
Types of products	<ul style="list-style-type: none"> ▪ range of securities ▪ associated risks ▪ investment options using securities product ▪ alternative products (e.g. derivatives) (where relevant) 	
Theories of investment, portfolio management, and management of investment and risk	<ul style="list-style-type: none"> ▪ investment concepts ▪ investment strategies ▪ identification of types of risk ▪ client risk profile <p>Additional requirement for Regime B and Regime C:</p> <ul style="list-style-type: none"> ▪ portfolio construction 	<ul style="list-style-type: none"> ▪ This is too vague. See Margin Lending for a better description of what could contain. ▪ Suggest also contain trading strategies ▪ Client risk profile should contain 'and implications for proposed investments'. ▪ Portfolio construction could contain stress testing
Taxation	<ul style="list-style-type: none"> ▪ awareness of taxation issues relating to securities 	<ul style="list-style-type: none"> ▪ See as per 'Financial planning' above. Need to consider taxation implications relating to acquisition and disposal of securities.

finsia.com

Level 16
1 Margaret 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 96066027389

<p>Legal environment—disclosure and compliance</p>	<ul style="list-style-type: none"> ▪ the role of the representative/adviser and legal requirements that apply ▪ relevant legal principles (e.g. Corporations Act, ASIC Act, Privacy Amendment (Private Sector) Act) ▪ the relationship between ethics and regulatory requirements (e.g. good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest that may influence the adviser’s recommendation) ▪ relevant industry standards and codes of conduct ▪ regulators’ guidelines, including our requirements in this policy ▪ complaints resolution procedures (external and, if relevant, internal) ▪ stockbroking competency standards (where relevant) ▪ ASX Operating Rules (where relevant) ▪ ASIC market integrity rules 	<ul style="list-style-type: none"> ▪ Need to link ethics and regulatory requirements back to the application in professional practice – see Part 1 of our proposal for how we believe this is best done. ▪ ‘Utmost good faith’ is an arcane insurance concept not relevant to other product areas. Good faith is sufficient. ▪ Given many equities and almost all bonds now traded off exchange, consider including documentation.
---	---	---

NB changes listed above should also be considered for other product areas.

Also consider whether Derivatives’ still needs reference to the Registered Representatives exam (somewhat dated). What is the status of ADA at present?

Table A2.5: Superannuation (specialist knowledge)

Topic	Proposed content	Further suggested content/coverage
<p>Operation and management of the superannuation industry</p>	<ul style="list-style-type: none"> ▪ characteristics and structure of a superannuation product ▪ roles played by intermediaries and issuers ▪ types of superannuation products ▪ fee structures/administration and management costs ▪ types of contribution ▪ annuities/pensions, allocated pensions and income stream products ▪ associated risks ▪ structure of superannuation plans, management and administration of superannuation products ▪ preservation rules ▪ investment strategies within superannuation funds (i.e. investment concepts and strategies) ▪ restrictions on investment strategies 	<ul style="list-style-type: none"> ▪ SMSF content viz. CP 216?

finsia.com

Level 16
1 Margaret 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 96066027389

	<p>Additional requirements for Regime B and Regime C:</p> <ul style="list-style-type: none"> ▪ transition-to-retirement products ▪ structuring for superannuation (not just related to products)—for example, in a sale of a business ▪ defined contribution and defined benefit funds/arrangements 	
Taxation	<ul style="list-style-type: none"> ▪ impact on investment earnings ▪ employer and employee contributions ▪ benefit payments and expenses ▪ tax deductions ▪ capital gains tax treatment ▪ rollovers ▪ reasonable benefit limits ▪ superannuation surcharge ▪ social security pension eligibility ▪ retirement planning ▪ death benefits ▪ franking credits 	
Legal environment—disclosure and compliance	<ul style="list-style-type: none"> ▪ the role of the representative/adviser and legal requirements that apply ▪ relevant legal principles (e.g. Corporations Act, ASIC Act, Superannuation Industry (Supervision) Act, Privacy Amendment (Private Sector) Act) ▪ the relationship between ethics and regulatory requirements (e.g. good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest that may influence the adviser’s recommendation) ▪ relevant industry standards and codes of conduct ▪ regulators’ guidelines, including our requirements in this policy ▪ complaints resolution procedures (external and, if relevant, internal) ▪ trustee rules <p>Additional requirement for Regime B and Regime C:</p> <ul style="list-style-type: none"> ▪ benefits and risks of certain superannuation structures (i.e. client suitability) 	<ul style="list-style-type: none"> ▪ Rules unique to SMSFs should be included, particularly viz. CP 216.

Table A3.2B: Skill requirements for Regime B and Regime C

Topic	Proposed content	Further suggested content/coverage
<p>1 Establish relationship rapport with client</p>	<p>This may include:</p> <ul style="list-style-type: none"> ▪ explaining the adviser’s role ▪ explaining the advice process in a manner that the client understands ▪ making sure the client understands the advice they are receiving ▪ establishing the knowledge level of the client and tailoring advice and communication to this knowledge level ▪ listening and empathy skills ▪ awareness of potential behavioural biases when interacting with the client ▪ explaining the services offered and the services not offered ▪ identifying the AFS licensee responsible for the representative’s conduct ▪ explaining fee and charging methodology for both advice and any products recommended ▪ explaining the procedures for complaints handling 	<ul style="list-style-type: none"> ▪ “explaining the services offered and the services not offered needs to be brought out again later once the client needs/strategies is outlined – can the adviser provide this advice/strategy? Do they have the requisite expertise/authorisation? Is advice even needed?”
<p>2 Identify client objectives, needs and financial situation</p>	<p>This may include collection of the following types of information from the client or gaining an understanding of the following:</p> <ul style="list-style-type: none"> ▪ relevant personal, financial and business details ▪ client objectives and goals, including the ability to help refine these with the client using judgement ▪ identifying the subject matter of the advice ▪ defining and managing the client’s expectations ▪ the risk profile/risk tolerance of the client at the time of implementing the plan and ongoing ▪ cash flows (required and projected) ▪ relevant taxation obligations and social security considerations and other potential legal obligations (e.g. trustee obligations for self-managed superannuation funds) 	<ul style="list-style-type: none"> ▪ “or gaining an understanding of the following” is vague and hard to measure/define. How do you test ‘understanding’? ▪ “identifying the subject matter of the advice” should also include its scale, and discussing this with client ▪ “the risk profile/risk tolerance of the client at the time of implementing the plan and ongoing”, hard to do at this stage, as haven’t even established parameters, let alone implemented

<p>3 Analyse client objectives, needs, financial situation and risk profile/risk tolerance</p>	<p>This includes the required skills to do the following:</p> <ul style="list-style-type: none"> ▪ analysing all relevant information related to the client and the needs created by their circumstances ▪ budgeting/budget analysis ▪ analysing the client's spending patterns based on bank statements, credit card statements, spending diaries and other tools ▪ explaining the implications of current spending patterns on the client's long-term goals and explaining the implications in language that the client understands ▪ assessing if specialist advice is required ▪ assessing the client's risk profile/risk tolerance against their objectives, financial situation and needs ▪ if recommending a financial product, appropriate investigation of financial products that meet the client's objectives, financial situation and needs 	
<p>4 Develop appropriate strategies and solutions</p>	<p>This may include:</p> <ul style="list-style-type: none"> ▪ identifying and assessing available options via the above analysis ▪ aligning the client's risk profile/risk tolerance to their objectives, financial situation and needs ▪ conducting relevant research/analysis/modelling (both strategy and, if appropriate, products) ▪ developing a range of alternative strategies where applicable ▪ drafting plan/policy/transaction advice for presentation to the client ▪ ability to underwrite and accept the transfer of risk ▪ identifying any conflicts of interest and how to manage them 	<ul style="list-style-type: none"> ▪ “conducting relevant research/analysis/modelling (both strategy and, if appropriate, products)” AND “developing a range of alternative strategies where applicable” needs to have an integrative component. Where is the adviser required to integrate what they've learned and what they know prior to commencing making suggestions? ▪ “developing a range of alternative strategies where applicable” – useful to include ‘where appropriate, no product or advice’ (as this is possible, shouldn't presume a product or strategy must be sold) ▪ “identifying any conflicts of interest and how to manage them” is better expressed as “identifying any conflicts of interest, prioritise the client's interests (as per s961J:L), and determine how any remaining conflicts will affect the strategies developed”. ▪ Where is the test performed to ensure the advice is appropriate? As written, tends to assume it is

		<ul style="list-style-type: none"> Also, should identify where information provided is incomplete, and gauge impact on advice, as per s961H.
<p>5 Present appropriate strategies and solutions to the client</p>	<p>This may include:</p> <ul style="list-style-type: none"> explaining the concepts in a manner that the client can understand making sure the client understands the advice they are receiving where relevant, explaining the benefits and disadvantages of different strategies and how they relate to risk and reward and the client's risk profile/risk tolerance explaining in plain language the proposed transaction(s) explaining the nature of the underlying recommended financial products, if any explaining the possible risks and ensuring the client understands those risks providing written supporting documentation to explain the advice and why it is appropriate (including documentation required by law) and ensuring that the client understands this documentation 	<ul style="list-style-type: none"> "making sure the client understands the advice they are receiving" is better expressed as "establish and verify" where relevant, explaining the benefits and disadvantages of different strategies and how they relate 'align' to risk and reward and the client's risk profile/risk tolerance explaining the possible risks and ensuring the client understands those risks for the recommended strategy (link it back) <p>Think stage 5 and 6 should be combined, as presenting/negotiating part of the same stage, really.</p>
<p>6 Negotiate financial plan/policy/transaction with the client</p>	<p>This may include:</p> <ul style="list-style-type: none"> discussing any concerns/issues of the client regarding the proposed advice plan/policy/transaction confirming with the client the preferred plan/policy/transaction 	
<p>7 Coordinate implementation of agreed plan/policy/transaction</p>	<p>This may include:</p> <ul style="list-style-type: none"> ensuring the client understands the plan/policy/transaction gaining agreement on the proposed plan/policy/transaction explaining associated fee and cost structures for both the advice and any financial products recommended explaining the timeframe for execution 	<p>Believe first two points belong in Stage 6, as part of negotiation.</p> <p>Rest of stage 7 can be combined with stage 8, as implementation includes documentation by necessity.</p>

8 Complete and maintain necessary documentation	This may include: <ul style="list-style-type: none"> ▪ signing a formal agreement ▪ exchanging a signed agreement ▪ maintaining good records, including file notes and other record-keeping documentation 	
9 Provide ongoing service (if appropriate)	This may include: <ul style="list-style-type: none"> ▪ explaining ongoing fees and costs for ongoing and specifically defined services ▪ providing ongoing service to the client as required and agreed ▪ providing the client with reports regarding performance of the plan/policy/transaction ▪ conducting a review of the plan/policy/transaction with the client if the parameters change 	

As general guidance for the Skills component above, we think the stages/order of steps required in national competency standard “FNSASICL503A Provide advice in the regulated emissions market” (available from www.training.gov.au) are far more concise and provide much better guidance for employers/training providers. We recommend accessing and reading it.

finsia.com

Level 16
1 Margaret 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 96066027389