

29 June 2018

By email
consultation@fasea.gov.au

Dear Standards Authority,

Re: Proposed Guidance on Education Pathways for All Advisers

FINSIA welcomes the opportunity to provide feedback to FASEA on the proposed guidance on education pathways for financial advisers.

FINSIA was formed in 2005 through a merger of the Australasian Institute of Banking and Finance (AIBF) founded in 1886 and the Securities Institute of Australia (SIA) founded in 1966. At the time of the merger, the SIA was well-recognised in the financial services industry for its graduate-level programs in finance and investments, and financial planning.

Many of FINSIA's financial adviser members are existing advisers who will variously be affected by the proposed qualifications pathway. FINSIA has received a high volume of correspondence from advisers who are concerned that the education programs they have completed will not be recognised as degree qualifications, or degree qualifications in a relevant discipline.

Additionally, FINSIA has surveyed its members about the qualifications pathway, asking them to self-assess whether they expect to have to undertake further training to meet the new requirements and whether they intend to stay in the industry beyond 1 January 2024 when the proposed qualifications pathway will take effect. The results of this survey indicate that advisers with professional qualifications such as the SIA graduate qualifications in applied finance and investment, and financial planning, or Certified Financial Planner (CFP) have low levels of confidence that their training, and often considerable years of professional experience, will be recognised by the proposed education pathways.

Approved degrees and recognition of prior learning

Over half of surveyed FINSIA members have completed qualifications at AQF 8 (37.5%) and AQF 9 (20.3%). When asked to place themselves on the proposed FASEA qualifications pathway, FINSIA members responded:

I am a new entrant that requires an approved degree	4%
I am an existing adviser with no degree	18.4%
I am an existing adviser with an unrelated degree	18.4%
I am an existing adviser with a related degree	14.4%
I am an existing adviser with a related degree and a related postgraduate qualification	36.8%
I am an existing adviser with an approved degree	8%

A chief concern for existing advisers is the impact of the proposed education pathways, reflected in intention to stay in the industry. Overall, 18.6% of FINSIA advisers indicate that they intend to exit the advice industry when the new education requirements take effect on 1 January 2024, with a further 34.7% of respondents unsure. Advisers with 21 or more years of experience (62.5% of survey

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respondents) are more likely to indicate their intention to leave the advice industry, with 26.3% responding that they will do so when the proposed education requirements come into force.

Among the members that FINSIA surveyed there was considerable confusion about whether their qualifications would be accepted. This was found to be a particular issue for advisers with 21 or more years of practice experience who typically completed academic qualifications through the SIA in 1998 or earlier.

Nearly half of surveyed advisers (46.2%) believe that they will need to complete a course on the FASEA Code of Ethics, and over a quarter (26.9%) expect that they will need to complete bridging courses on the Corporations Act and behavioural finance.

Advisers surveyed by FINSIA were uncertain that their professional experience and prior studies would be recognised by FASEA:

“I am very upset that having worked in the industry for so many years, being a CFP and having a degree in business and economics doesn't count much. I think FASEA should rethink ... existing financial planners and their current education. Having a degree in financial planning does not mean that as a financial planner you ... will suddenly [become] ethical.”

“I'm not sure — I have an unrelated degree but also completed the Graduate Diploma of Financial Planning from when it was run by FINSIA. I have also completed many short courses on SMSF advising, aged care accreditation, margin lending, mortgage broking ... And now I have to do another course even though I do about double the required CPD points in order to keep up to date with regulatory changes, new strategies, etc. I have always run my practice ethically and feel that extra education is going to make no difference.”

For many advisers, the decision to complete degrees in related disciplines such as economics, law, psychology, etc, was made to enhance the training they had already completed through the SIA and other industry bodies.

FINSIA notes that the Graduate Diploma of Financial Planning completed by December 2008 is recognised as a postgraduate qualification on the FPEC Approved Degrees List. This is appropriate given the program was one of the first postgraduate programs offered in Australia with a financial planning specialisation. However, the status of this program on the FPEC list is not well understood by the adviser community, which has added to confusion about FASEA's proposals.

Further, FINSIA members raised concerns that the Graduate Diploma of Applied Finance and Investment and Master of Applied Finance and Investment, delivered by the SIA, are not on the FPEC list. It is submitted that these programs should be accredited by FASEA as approved degrees. These programs developed students' knowledge of financial instruments, investment approaches, and the regulatory context:

“I completed the Master of Applied Finance and Investment with SIA and FINSIA. I have completed numerous master level subjects at universities and believe the FINSIA qualification is at least as rigorous. More importantly, it contained far more industry relevant and practical information which enables me to provide better advice to my clients. I believe FASEA should recognise FINSIA's masters degree as an approved qualification.”

“I am unsure why the Kaplan Graduate Diploma of Financial Planning is on the [FPEC] list but it seems there is a question around the SIA Graduate Diploma of Financial Planning which included E254. This was essentially the same course as ... offered by FINSIA and then Kaplan (which FASEA has noted as an approved course).”

“I have a Bachelor of Business degree but it's from 1994 and also ... a Graduate Diploma of Applied Finance and Investment (SIA) from 2004. I'm unsure whether they will count and whether I will have to do a graduate diploma or just the bridging courses.”

Further clarification on recognition of prior learning (RPL), and the development of consistent methodologies across tertiary institutions for its assessment, is desirable and will lower the risk of venue shopping. FINSIA notes that FASEA reserves the right to issue further guidance about related qualifications. Feedback from the adviser community indicates further consultation in this area will raise industry confidence in the implementation of the education reforms.

FINSIA's recommendations

- > That FASEA review the accreditation of the SIA Graduate Diploma of Applied Finance and Investment and Master of Applied Finance and Investment in recognition of their status as leading postgraduate qualifications, developed by the industry to enhance its professionalism.
- > That FASEA consult with industry on a framework for RPL to ensure consistency of approach and give advisers certainty. This framework should give avenues to recognise professional experience and postgraduate studies in applied finance and investment.
- > That FASEA's expectation that RPL will be available recognising professional designations and educational qualifications be more clearly communicated to the adviser community to ease uncertainty.
- > That FASEA develops communication initiatives to inform consumers about the new standards and what they should expect from qualified advisers.

Appropriateness of proposed education pathways for each type of adviser

FINSIA consistently has given support to the principle that new financial advisers should be able to demonstrate their knowledge at a high level and that completing a bachelor degree (AQF7) is suitable for this purpose.

As one respondent observed:

“Ethical standards need lifting for all planners. New planners should undergo tertiary studies to improve professionalism.”

Over half of surveyed advisers do not agree that the proposed qualifications pathway is suitable for each type of adviser, and nearly a third are unsure.

Respondents noted the recent development of the financial planning discipline in tertiary education:

“As there has not been any specific financial planning degree qualifications until very recently all other older degrees should be treated as equally 'relevant'.”

The newness of financial planning as an academic discipline, and the emphasis on the completion of an approved degree in the proposed FASEA qualifications pathway was also observed to potentially limit the opportunity for people to transition into financial planning have previously completed an undergraduate degree in another discipline.

Members with older qualifications, particularly where recognition for prior learning was given, raised concerns about being able to comprehensively document their studies:

With multiple associated qualifications (commerce degree, CAP studies, SIA Graduate Diploma in Applied Finance and Investment) — I was granted fast track to DFP 8 with Deakin University on the FP program of that time. I passed the all-encompassing DFP 8 including SOA assignment and exam. MY concern is I do not have the full diploma of that

course (due to the fast tracking on prior learning). I am concerned I will be penalised under new system today — if my DFP 8 is not recognised under prior learning studies for financial planning.

Additionally, members raised concerns about the number of approved programs on the current FPEC list and their institutional coverage. In some states, eg. South Australia and Tasmania, there is little choice in education provider. For students in regional areas, there likewise may be little choice in provider, depending on the number of programs offered by distance enrolment. On the FPEC list as drafted, accessibility of courses is not indicated.

FINSIA's recommendation

- > That the teaching mode of programs (internal or external) is indicated on the approved degree list, and that the approved degree list allows for accessibility of programs for students in regional areas.

Feedback on public outcome

FINSIA supports increased professionalisation across the financial services industry, including financial planning. We see this as necessary to restore consumer trust, and recent FINSIA-commissioned research on consumer attitudes reveals the link between higher professional standards and trust in the banking industry:

- > Only one in two consumers highly trust the Australian banking industry and only two in five highly trust the CEO and senior executive team of their banks.
- > Over half (57%) of consumers believe the Australian banking industry as a whole does not have high ethical standards.
- > Three in five consumers would trust their bank more if more staff had professional standards.
- > Nearly one fifth (19%) of consumers aged between 25 and 44 would change banks to be served by staff who were more professionally qualified.

In a 2017 survey of FINSIA members, over 70% agreed that increased professionalism is a minimum requirement to restore consumer confidence and trust in financial services.

The feedback that FINSIA received from its members about the FASEA qualifications pathway and the outcomes it will deliver for consumers was mixed. While 45.2% of surveyed advisers agreed that increased education standards would improve consumer outcomes, a third did not (31.8%) and nearly one quarter were unsure (23%). This may reflect the emphasis on degree qualifications in this phase of FASEA's industry consultation. Critical to the success of the professional standards reforms overall is for FASEA and the industry to take an "integrity systems" approach to their implementation — having regard to the function of the education pathway, FASEA Code of Conduct, national exam, and continuing professional development requirements both in isolation, and as a connected system to raise the professionalism of the financial advice industry.¹

Financial advice has been the subject of successive waves of reform since the 2009 Ripoll Inquiry. There is a sense that the goalposts have kept changing for financial advisers, and that the changes implemented are generational in character, but have been implemented in a short time span.

The potential loss of long-serving advisers from the industry was noted to leave clients vulnerable, particularly in cases where they are advanced in years and have long-established relationships with their existing adviser:

¹ Breakey, S. and Sampford, C. (2017). National exams as a tool for improving standards: Can Australian financial advisers take a leaf from the professionals' book? *UNSW Law Journal*. Vol. 40. Iss. 1. pp. 385–410.

More weight should be given to experience with a clean record. Older experienced advisers should not be made to do additional study when they have shown successful client service over a long period of time.

Subject on FASEA Code of Ethics at AQF 8

FINSIA appreciates that FASEA may wish to consult further on the proposed requirement for advisers to study ethics at AQF 8. However, at this time we wish to convey the following feedback and questions we have received about the proposed education requirement:

- > Is it proposed that a unit on the FASEA Code of Ethics be equivalent to 120 hours for study, or is it intended that the ethics unit educate advisers about ethical conduct more broadly in the financial planning context having regard to the FASEA Code?
- > Is it intended that ethics only be delivered as a capstone unit of study, or will there be a degree of latitude for approved degree providers in how they meet the requirements? As to this, it was noted that universities affiliated with the Certified Financial Analyst (CFA) program are required to teach ethics across units.

FINSIA recommendation

That FASEA consult with industry and accredited education providers on the form and proposed syllabus of the AQF 8 ethics program.

Additional feedback

Through member consultation, FINSIA received feedback about the diverse areas of practice for financial advisers beyond traditional, personal advice — eg. preparation of independent expert reports, preparation of independent accountant reports, and mergers and acquisitions. It was submitted that FASEA take into consideration these advisers in the proposed education pathways, recognising their different knowledge and competencies.

Conclusion

FINSIA again thanks FASEA for the opportunity to comment on the proposed education pathways. Should you require further information, please contact Anita Poppi SA Fin, Head of Corporate Affairs, a.poppi@finsia.com.

With kind regards,



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