

1 February 2022

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

By email: FAStandards@treasury.gov.au

Dear Ms Schneider Rumble

Education Standards for Financial Advisers

CPA Australia represents the diverse interests of more than 168,000 members, working in over 100 countries and regions supported by 19 offices around the world. We make this submission on behalf of our members and in the broader public interest.

CPA Australia supports an education framework for financial advisers that is equitable, sustainable, delivers value for all stakeholders and importantly, reflects the expectations of the community.

The overarching driver of setting education standards should not solely focus on the holding of a specific qualification, but more importantly it should ensure that an individual has the appropriate level of technical expertise and skill commensurate to the financial advice they will provide to the community.

While we support amendments to the current pathways for both new and existing financial advisers, we are concerned that these proposals are being considered prematurely and should rather form part of the Quality of Advice review, scheduled to commence this year.

Further, we are concerned that proposing amendments to the current education standards for existing financial advisers during the legislated transition period risks reducing the clarity for impacted financial advisers on the study they must complete before the transition period ends on 1 January 2026. It may also negatively impact those financial advisers currently completing their studies based on existing requirements.

We understand the concerns that more experienced financial advisers may leave the sector if there are not amendments made to the current education standards. Supporting these financial advisers to remain in the sector is important, not only to support community access to advice but to help mentor and support future generations of advisers.

However, CPA Australia also believes that it is important to ensure that the community can have confidence that all financial advisers are appropriately qualified, noting this has been a key recommendation from recent inquiries and a fundamental objective of the current Professional Standards reforms for the sector. It is also a commitment that the majority of financial advisers have made by already competing their required additional tertiary studies and the FASEA exam.

CPA Australia therefore recommends that the current *Corporations (Relevant Providers Degrees, Qualifications and Courses Standard) Determination 2021* is retained and that the education, qualification and experience requirements and pathways for financial advisers be considered as part of the Quality Advice Review.

This approach provides certainty and supports those financial advisers who have or are currently completing their transition education requirements and allows for a more thorough review of the education pathways to determine what changes are needed to the current standards.

Our detailed responses are contained in the Attachment.

If you have any queries about this submission, please contact Keddie Waller, Head of Public Practice & SME on 0401 716 083 or keddie.waller@cpaaustralia.com.au.

Yours sincerely

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CPA Australia

Proposed education pathways for financial advisers

CPA Australia strongly supports an education standards framework for financial advisers that is equitable, sustainable, delivers value for all stakeholders and importantly, reflects the expectations of the community.

The overarching driver of the education standards should be not to just focus on the holding of a specific qualification, but more importantly it should ensure that an individual has the appropriate level of technical expertise and skill to provide quality financial advice.

CPA Australia supports amendments to the current education standards, as the one-size fits all pathway does not provide an appropriate education pathway for individuals who will be authorised to provide scoped or specialist financial advice.

However, while we acknowledge the proposed standards address the current challenges around flexibility, we do not believe they achieve the important goal of ensuring that an individual will have the technical expertise and skill commensurate to the financial planning advice they will be authorised to provide. In fact, the broad flexibility of the proposed framework could result in an individual completing an approved qualification to become a financial adviser under the qualification pathway that does not include any financial planning specific units of study. This would be a significant shift from current policy and arguably ignores the learnings from past reviews and inquiries.

For example, the 2014 report¹ into the *Professional, Ethical and Education Standards in the financial services industry* by the Parliamentary Joint Committee on Corporations and Financial Services was a key driver in lifting the education standards for financial advisers. Importantly, the report not only recommended lifting the minimum education qualification, but also that the curriculum for such qualifications should be relevant to the advice that will be provided:

Recommendation 7

3.42 *The committee recommends that:*

- *the mandatory minimum educational standard for financial advisers should be increased to a degree qualification at Australian Qualification Framework level seven; and*
- *a Finance Professionals' Education Council should set the core and sector specific requirements for Australian Qualifications Framework level seven courses.*

We support this approach and note that while the current education standards provide little flexibility, they do set clear expectations around curriculum and learning outcomes which we believe are critical in an education standard, to ensure that an individual has the appropriate level of knowledge and skill to provide quality financial advice.

Given this, CPA Australia does not support the proposed qualification and experience pathway.

We are also concerned that these proposals are being considered prematurely ahead of the Quality of Advice review, scheduled to commence this year.

CPA Australia recommends that the current Corporations (Relevant Providers Degrees, Qualifications and Courses Standard) Determination 2021 be retained and that the education, qualification and experience requirements and pathways for financial advisers be considered as part of the Quality Advice Review.

This approach provides certainty and supports those financial advisers who have or are currently completing their transition education requirements. Also, it allows for a more thorough review of the education pathways to determine what changes are needed to the current standards.

As part of this review, we believe a model where core knowledge and sector specific education skillsets should be explored. We believe this model could maintain the important focus on achieving the right learning outcomes while providing the flexibility needed to support scoped and specialist advisers.

For example, the core knowledge could include:

¹ [Inquiry Into proposals to lift the professional, ethical and education standards in the financial services Industry](#)

- Financial Planners and Advisers Code of Ethics
- Financial advice legal and regulatory obligations
- Tax and commercial law, and
- Overview of financial products.

Competency skillsets could then be defined for the different subsectors of financial planning advice, for example, risk and life insurance, stockbroking and superannuation. This would provide the flexibility for an individual to complete relevant training, at an AQF 7 equivalent or higher, relevant to the scope of advice they will be authorised to provide.

We believe that there could be many benefits to this approach, including that it:

- continues to support and strengthen the education pathways to provide financial planning advice, supporting the advice profession
- supports the provision of quality, compliant advice to consumers, critical to continuing to lift trust and confidence in the sector
- provides flexibility to an individual to ‘upskill’ to provide different types of financial planning advice
- supports Australian Financial Services licensees to meet the legislative obligation that individuals they authorise have the appropriate competencies for advice they are authorised to provide
- provides a clear curriculum for education providers when developing relevant qualifications, and
- provides clear pathways for new entrants seeking a career in financial advice.

A further benefit of this model is that it would provide a clear framework for education providers to assess and grant the recognition of prior learning (RPL) for experienced financial advisers or other relevant professionals. The individual would then only have to ‘upskill’ in any gaps assessed by the education provider relevant to the financial planning advice they will be providing.

We believe that as part of the review of the education, qualification and experience requirements and pathways the Quality of Advice review assesses the merits of an education framework that defines the core and sector specific competencies that an individual must demonstrate at AQF 7 or higher, or equivalent qualification, commensurate to the advice they will be authorised to provide.

CPA Australia acknowledges that the Government will not accredit individual degrees or subjects to ensure they meet the requirements to be an approved degree and would therefore be unlikely to establish and maintain the competency framework for financial advisers. However, professional associations could take on this important role by establishing an independent education council that sets curriculum requirements for core subjects and sector specific subjects, which notably aligns with recommendation 10 from the report *into the Professional, Ethical and Education Standards in the financial services industry* from 2014.

Specific comments in response to the proposed education standard

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

The *Corporations (Relevant Providers Degrees, Qualifications and Courses Standard) Determination 2021* currently provides certainty for AFS licensees on which courses are recognised as meeting the education standards for a new entrant.

Prior to the FASEA determination, there was the ASIC Training Register to which AFS licensees could also refer, to check that a course had been approved and for what generic and specialist knowledge financial planning areas relevant to the authorisations they could issue to an individual under their AFS licence.

While the proposed education standard would support an AFS licensee in assessing if the subjects and qualification/s undertaken by an individual meet the proposed definition of a primary qualification requirement, we do not believe it would support them to assess if the individual is adequately trained and competent to provide the relevant financial services as required under section 912A of the *Corporations Act 2001*.

While we acknowledge the AFS licensee has legal responsibility for complying with this obligation, without some form of independent support many licensees will be forced to pay external consultants to make this assessment for them. In an environment of rising regulatory burden and associated costs, this is only going to further impact the access to affordable advice to consumers.

CPA Australia believes that the education standards should provide a mechanism, such as a register, to support AFS licensees to assess if an individual is adequately trained and competent for the advice and services for which they will be authorised.

We also note that the proposed education pathways identify related fields of study including:

- Taxation/tax law (as approved by the Tax Practitioners Board (TPB)), and
- Business law (as approved by the TPB).

These references would be problematic, as they are inconsistent with both the language and requirements of the TPB for Australian taxation law and Commercial law. Further, these references do not recognise that the TPB also has additional currency requirements for the recognition of study.

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

CPA Australia is supportive of the policy objective to streamline the education standards for financial advisers and to recognise appropriate experience as a pathway towards meeting the set standards.

However, as noted in our comments above we do not support the proposed education requirements. We believe the proposed level of flexibility compromises the integrity of the education standards needed to provide financial advice.

Further, we believe this proposed policy fails to support the findings of previous inquiries and the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* which noted:

The proposed changes to lift the professional, education and ethical standards of financial advisers represent a further important step towards making financial advice a profession.²

The overarching driver of the education standards should not focus solely on the holding of a specific qualification, but more importantly should ensure that an individual has the appropriate level of technical expertise and skill commensurate to the scope of financial advice they will be authorised to provide to the community.

While it is imperative that the education standard recognises and sets appropriate pathways for the many different types of financial advice – scoped, specialist and holistic – we do not believe the proposed eight units in a related field of study meets the important policy objective of lifting the education standards for advisers.

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

The *Corporations Amendment (Professional Standards of Financial Advisers) Act 2017* already provides the legislative framework for both registered training organisations and professional associations to offer courses for individuals to offer financial planning advice.

The current barrier to enabling such education providers offering appropriate courses is the *Corporations (Relevant Providers Degrees, Qualifications and Courses Standard) Determination 2021*, which only recognises higher education providers as defined in the *Tertiary Education Quality and Standards Agency Act 2011*.

CPA Australia strongly supports education providers, such as registered training organisations, being supported to offer such courses, as this will provide both equitable and sustainable pathways as well as further affordable choices to new entrants.

² Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry p. 134

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.

CPA Australia does not support the introduction of a Graduate Certificate or Diploma as part of the professional year standard.

This proposal adds additional costs, which will likely be borne by the individual given the rising costs already being faced by AFS licensees. This could set a barrier to entry for some individuals, or where the cost is borne by the AFS licensee arguably further impact the accessibility of affordable advice.

Further, if the education standards are appropriately established this additional qualification would not be required.