

CPA Australia Ltd
ABN 64 008 392 452
Level 20, 28 Freshwater Place
Southbank VIC 3006 Australia
GPO Box 2820 Melbourne
VIC 3001 Australia
T 1300 737 373
Outside Aust +613 9606 9677
cpaaustralia.com.au

3 May 2023

Advice and Investment Branch
Retirement, Advice and Investment Division
Treasury
Langton Cres
Parkes ACT 2600

By email: FinancialAdvice@treasury.gov.au

Dear Ms Schneider Rumble

Education standards for experienced financial advisers and technical fixes for new entrants

CPA Australia represents the diverse interests of more than 172,000 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.

We understand the concerns that more experienced financial advisers may leave the sector if amendments are not made to the current education standards. Supporting experienced financial advisers to remain in the sector is important to ensure that the community's advice needs can be met. This is a very real short-term challenge, with a contracting pool of financial advisers and a growing number of individuals nearing retirement seeking advice. Experienced financial advisers are also important in helping to mentor and support future generations of advisers.

While recognising the importance of experience, CPA Australia believes that it is also important to ensure the community can have confidence that all financial advisers are appropriately qualified. We note that this has been a key recommendation from recent inquiries and a fundamental objective of the current Professional Standards reforms. Short-term needs should not detract from the gains made towards greater professionalism over the last few years.

We therefore believe that experienced financial advisers, who successfully complete the exam, should be provided a further period to continue servicing their clients. However, CPA Australia recommends that a sunset date of 1 January 2032 be implemented for this pathway.

We also welcome the proposed new law to ensure financial advisers who are also registered tax agents are not required to meet the additional education requirements to be a qualified tax relevant provider. This addresses the current inequity in regulatory arrangements where a distinction is being made between financial advisers who were a tax (financial) adviser and those who are a registered tax agent.

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

Dr Gary Pflugrath
Executive General Manager, Policy and Advocacy



Experienced financial advisers

CPA Australia supports the proposed amendments to define an ‘experienced provider’ as an individual who has the equivalent of 10 years full time experience licensed under an Australian Financial Services (AFS) licence to provide personal advice to retail clients over the ‘qualifying period’. We also support the requirement that the individual must have a clean disciplinary record to access this pathway.

We believe that in the interests of consistency and proper accountability, it is appropriate that all individuals who seek to take advantage of the experienced provider pathway be required to complete a statutory declaration stating that they meet all determined eligibility requirements.

As part of this pathway, a financial adviser should also be required to either complete an approved ethics unit or be a member of an association which meets specific requirements such as compliance with a mandatory code of ethics. This ensures a level of consistency with the statutory education standard to which all other existing financial advisers must comply; that is, completion of the Ethics for Professional Advisers bridging unit.

Supporting experienced financial advisers to remain in the sector is important to ensure the community’s advice needs can be met. This is a very real short-term challenge, with a contracting pool of financial advisers and a growing number of individuals nearing retirement seeking advice. Experienced financial advisers are also important in helping to mentor and support future generations of advisers.

However, we believe that a sunset date of 1 January 2032 should be implemented for this pathway. This ensures that the community’s growing advice needs can be met in the short-term, while maintaining the commitment to greater professionalism by the sector.

We also note that under the proposals an individual who has left the sector could be eligible to re-enter under the experienced provider pathway. Encouraging those who may have left because of the education reforms, to re-enter the profession, could help address the short-term financial advice gap. However, we are concerned that there are no additional obligations for such individuals to re-enter, to ensure currency of knowledge relevant to the financial advice they will be authorised to provide to future clients. We believe this poses a potential client risk, given that the only other education obligation is to complete the standard financial adviser exam.

To address this risk, we recommend that an individual who has been unlicensed for more than 12 months must undertake 20 hours of continuing professional development (CPD) relevant to their areas of authorisation in the immediate six months before being re-authorised under an Australian Financial Services (AFS) licence.

Finally, while the Bill is silent on how the experienced provider pathway may be recorded on the Financial Adviser Register (FAR), we would caution against any specific reference to ‘experienced financial adviser’ being used. This, or like terms, may not only be potentially misleading to users of the FAR, but it could also create division within the sector between financial advisers who may have been eligible to pursue the experienced provider pathway but elected to complete all required bridging units, and those who utilised the pathway provisions.

New entrants

CPA Australia supports the amendments for new entrants to address current challenges being experienced where a course transcript may not exactly match the requirements prescribed in *Corporations (Relevant Providers Degrees, Qualifications and Courses Standard) Determination 2021*.

CPA Australia also strongly encourages the government to continue with its review of the current “one-size fits all” pathway to become a financial adviser. Greater flexibility is needed to not only encourage more new entrants to the sector, but also to recognise the diversity of financial planning advice and services that are provided under an AFS licence.

Financial advisers who are also registered tax agents

CPA Australia supports the proposed new law to ensure financial advisers who are also registered tax agents are not required to meet the additional education requirements to be a qualified tax relevant provider.

These amendments address the current inequity in the policy settings, which saw financial advisers who were registered as tax (financial) advisers provided automatic deeming provisions to the FAR under previous reforms. Those financial advisers who are a registered tax agent did not benefit from these automatic deeming provisions.

However, the amendments should commence on 1 January 2022 to align with the *Financial Sector Reform (Hayne Royal Commission Response—Better Advice) Act 2021*. This is to ensure regulatory consistency and to legally recognise that during the period 1 January 2022 to when the new law commences, financial advisers who are registered tax agents can provide tax (financial) advice to service their clients.