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Financial Adviser Standards and Ethics Authority

By email: consultation@fasea.gov.au

Dear Sir/ Madam

FASEA Relevant Providers Exam Draft Legislative Instrument

CPA Australia represents the diverse interests of more than 163,000 members working in 125 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest.

CPA Australia supports the proposal that the examination is set at AQF 7 – Bachelor Degree, as this aligns with the minimum entry qualification requirement from 1 January 2019. Given the objective of the examination is to ensure consistent, minimum professional standards of education and competency apply to all financial advisers nationally, this necessitates that there must be a single exam for both new entrants and existing financial advisers.

However, we are concerned that the proposed knowledge and skills areas are broad and the proposed learning outcomes may not provide candidates with sufficient guidance that defines the expected learning outcomes to help them successfully prepare for the examination.

We are also concerned that in some instances the learning outcomes may test knowledge and skills that the candidate may not have yet completed through required bridging courses, given the longer timeframe to meet the bridging courses requirement. This includes applying ethical frameworks to address issues and dilemmas that are encountered as a financial planner/adviser.

CPA Australia believes it is important that FASEA provide further guidance on the proposed knowledge and skills areas, as well as the proposed learning outcomes, to ensure candidates can successfully prepare for the examination.

We are also deeply concerned the proposed 'at least' 70 questions will be unworkable and too onerous for candidates, given the proposed 3-hour time limit to complete the examination, including at least 6 written response case study style questions.

Importantly noting that 'at least' implies the examination could include more than 70 questions, which would place even further stress and pressure on candidates to complete the examination within the proposed three-hour timeframe.

Further, including the number of questions in the legislative instrument itself under section 7 Standard: exam questions also removes any flexibility for FASEA to amend the examination should the number of questions prove problematic during the pilot testing of the examination. We therefore believe this detail should only be included in the policy, to ensure FASEA have the flexibility to amend the examination requirements if needed.

It is also unclear from the policy how given, that questions may have different maximum marks, the questions will be equally split between the different test areas. We believe it is important that a candidate understand the weighting for each knowledge and skill area, to help them successfully prepare for the examination and that this should therefore be clarified.

It is important that FPS 006 Examination Policy and the *Corporations (Relevant Providers Exams Standard) Determination 2019* set a pragmatic and effective framework for the examination, to ensure that it can achieve its policy intent of consistent professional standards of education and competency.

However, the framework and guidance must also clearly articulate to candidates the minimum levels of education and skill they are expected to demonstrate in the examination, to help them appropriately prepare.

If you have any questions regarding this submission, please do not hesitate to contact Keddie Waller on +613 9606 9816 or keddie.waller@cpaaustralia.com.au.

Yours faithfully



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Relevant Providers Exam Draft Legislative Instrument

PART A – RESPONSIBILITIES FOR THE EXAMINATION

To ensure consistency with the *Corporations Amendment (Professional Standards of Financial Advisers) Act 2017* and *Corporations (Work and Training Professional Year Standard) Determination 2018*, we recommend believe the wording in the FPS 006 Examination Policy should be amended.

Recommendation:

CPA Australia recommends that Part A – Responsibilities for the Examination is amended as follows:

Individuals (Relevant Providers)

Existing providers are required to pass the examination by 1 January 2021, otherwise they will cease to be a relevant provider.

New entrants are required to pass the examination before they undertake work activities or structured training for quarter 3 of their professional year, as required by *Corporations (Work and Training Professional Year Standard) Determination 2018* and FPS003 Work & Training (Professional Year) Policy.

Financial Services Licensees

A financial services licensee must ensure relevant providers have passed the examination.

A financial services licensee must not give a person a written notice authorising the person to provide personal advice to retail clients, on behalf of the licensee, in relation to relevant financial products if the person has not meet the education and training standards under either or both sections 921B (2) and (3) or (4) (s916A of the Act).

A financial services licensee is required to notify ASIC for the purposes of updating the Register of Relevant Providers, that an existing provider has passed the examination (s1546Y of the Act).

PART B – EXAMINATION PARAMETERS

CURRICULUM

CPA Australia supports the proposal that the single examination is set at AQF 7 – Bachelor Degree, as this aligns with the minimum entry qualification requirement from 1 January 2019.

We are concerned though that the proposed knowledge and skills areas are broad and that the proposed learning outcomes do not provide candidates with sufficient guidance that define the expected learning outcomes for the examination to help them appropriately prepare.

We are also concerned that in some instances the learning outcomes will test knowledge and skills that the candidate may not have yet completed. For example, the knowledge and skills area *Applied ethical and professional reasoning and communication* proposed learning outcomes include:

- Apply ethical frameworks to address issues and dilemmas that are encountered as a financial planner/adviser.

There are different ethical decision-making models that could be tested under this learning objective.

The proposed bridging unit Ethics and professionalism (including the FASEA Code of Ethics and Code Monitoring Bodies) may help a candidate prepare for the exam and provide guidance on the ethical decision-making mode/l's that may be tested in the examination.

However, the exam must be successfully completed by 1 January 2021, while the bridging units must be completed by 1 January 2024. Therefore, it is likely existing financial advisers will not have completed their required bridging units, including the Ethics unit, before sitting the exam.

This is even more likely given the examination will not be expected to be available until mid-2019 and the required bridging units are also still being finalised and therefore not available for existing advisers to commence their required studies.

Recommendation:

CPA Australia recommends that FASEA provide further guidance on the proposed knowledge and skills areas, as well as the proposed learning outcomes to help candidates successfully prepare for the examination.

EXAMINATION FORMAT

Mix and Type of Questions

CPA Australia supports a multiple-choice examination, as this is an objective and effective method of assessment that could deliver the examination's objective of ensuring consistent, minimum professional standards of education and competency for all financial advisers.

If written-style responses are also included, then appropriate time must be provided to candidates to complete these questions.

Number of Questions

CPA Australia does not support the proposal that the examination will have at least 70 questions in total, with at least 64 questions selected response and at least 6 written response case study style.

We strongly believe 70 questions is unworkable and will be too onerous for candidates given the proposed 3-hour time limit to complete the examination and the inclusion of at least 6 written response case study style questions.

Importantly noting that 'at least' implies the examination could include more than 70 questions, which would place even further stress and pressure on candidates to complete the examination within the three-hour time limit.

Of importance, including the number of questions in the legislative instrument itself under *section 7 Standard: exam questions* removes the flexibility to amend the examination should the number of questions prove problematic the pilot testing of the examination.

Recommendation:

CPA Australia recommends that the examination include a maximum of 70 questions, with a maximum of 64 selected response style and a maximum of 6 written response style.

It is also unclear given that questions may have different maximum marks, how the questions will be equally split between the different test areas.

We believe it is important that a candidate understand the weighting for each knowledge and skill area, to help them successfully prepare for the examination and that this should therefore be clarified in the policy.

Duration

It is difficult to comment on the appropriate duration of the exam without understanding the defined tasks that are being assessed, including their taxonomy.

However, the examination will be in addition to an approved qualification and a professional year of experience for new entrants and in addition to at least one bridging until for existing financial advisers.

We therefore believe the exam should be no more than three hours in duration plus additional reading time.

Marking

CPA Australia does not support the exams being marked to a credit level. 'Credit level' is undefined in the policy and therefore fails to provide the candidate with any guidance on the number of marks they must achieve to pass the examination. It is also unclear from the policy the total number of marks for the examination.

We believe the pass mark should be defined and published to ensure all candidates understand the number of marks that must be achieved to pass the examination.

Recommendation:

CPA Australia recommends that the pass mark is defined and published to ensure all candidates understand the number of marks they must achieve to pass the examination.

CPA Australia supports the proposal that candidates will be awarded a 'pass' or 'fail'. This prevents any results being inappropriately used or marketed to consumers.

However, we note that awarding a pass or fail mark also contradicts the proposal to mark the exams to a 'credit level'.

Sitting the Exam

CPA Australia recommends that the terms for registration for sitting exams and the definition of an 'eligible candidate' are amended to align and be consistent with the definitions in the *Corporations Amendment (Professional Standards of Financial Advisers) Act 2017*.

Recommendations:

CPA Australia recommends the following changes to section 4 Definitions in *Corporations (Relevant Providers Exams Standard) Determination 2019*:

(2) A person is an eligible candidate for an exam if:

(a) Any of the following apply:

(i) the person is an existing provider as defined in s1546A of the Act

CPA Australia also recommend this change is also made under ‘Sitting the Exam’ of the FPS006 Examination Policy.

Delivery Mode

CPA Australia supports the proposal that where it is unreasonable for a candidate to travel to an exam location, a digital option will be made available.

However, FASEA must define what is ‘unreasonable’ for the purposes of the policy.

As a guide, CPA Australia believes that requiring a candidate to travel any more than two hours by car would be unreasonable. Requiring a candidate to travel further than this would add further costs in addition to the \$540 (plus GST) fee to sit the examination, notwithstanding the additional fees they will also incur to complete the required bridging units.

Given that exam centres are proposed only to be held in capital cities, except for Queensland, we expect this will be problematic for a large number of candidates given the geographic spread of financial advisers across Australia.

We also have concerns these candidates may be disadvantaged, given they will potentially have less than 12 months to successfully complete the examination.

CPA Australia recommends that additional examinations centres are added to appropriately cater for financial advisers located in major regional centres, such as Geelong and Newcastle for example.

Recommendations:

CPA Australia recommends that ‘unreasonable’ is defined as more than two hours travel by car for a candidate to travel to exam location.

CPA Australia recommends that additional examinations centres are added to appropriately cater for financial advisers located in major regional centres across Australia.

Examination Timetable

CPA Australia has significant concerns with the proposed examination timetable.

During consultation of the Act, it was deemed that two years would be an appropriate timeframe for an existing provider to successfully complete the examination given they are often working full time, potentially running a practice and may also be required to complete additional bridging units to meet the new standards.

The proposed timetable reduces this timeframe to potentially 18 months for existing providers within capital cities and potentially less than 12 months for existing providers where it is ‘unreasonable’ for them to travel to an exam location, in a remote location or who are unable to travel to the exam location.

While candidates will be able to sit the examination multiple times if they are unsuccessful, it is also proposed that a candidate cannot resit an examination within 3 months.

This further reduces the timeframe for a candidate to successfully complete the examination, should they be unsuccessful in their first or second attempt.

Consideration should also be given to the fact that many experienced financial advisers may not have undertaken formal examinations in a number of years, which may result in higher levels anxiety and pressure when sitting the exam. This may lead to higher initial fail rates, requiring additional resits.

Given this, CPA Australia recommends that the date for existing providers to complete the examination is extended to ensure that all existing providers have two years to complete the examination.

Recommendation:

CPA Australia recommends that the date for existing providers is extended beyond 1 January 2021, to ensure that all existing providers have 2 years to complete the examination as intended under the Act.

This will require legislative amendment post the examination and examination guidance being released by FASEA and the examination provider.

Learning/Study Materials

CPA Australia recommends that FASEA develop and publish an exam blueprint to ensure that candidates can appropriately prepare by having a clear understanding of the knowledge and skills that may be tested in the exam and at what taxonomy skill level.

This should be complemented by practice exam questions, both selected response and case study, to ensure that candidates understand the style and form of possible questions in the examination.

Consideration could also be given to providing feedback to candidates who are unsuccessful. This could be broken down by knowledge area to help candidates understand which content areas they may have been unsuccessful in to better prepare for their next attempt.

Recommendations:

CPA Australia recommends that FASEA publish an examination blueprint to ensure candidates have a clear understanding of the knowledge and skills that may be tested in the examination, including the taxonomy skill level.

CPA Australia recommend that FASEA publish a range of practice examination questions, including selected response and case study, to ensure that candidates understand the style and form of question in the examination.