

FASEA **Standards** **Summary**

November 2018

Disclaimer and copyright.

While FASEA endeavours to ensure the quality of this publication, it does not accept any responsibility for the accuracy, completeness or currency of the material included in this publication and will not be liable for any loss or damage arising out of any use of, or reliance on, this publication.

© Financial Adviser Standards and Ethics Authority (FASEA)

This work is licensed under the Creative Commons Attribution 3.0 Australia Licence (CCBY 3.0).



This licence allows you to copy, distribute and adapt this work, provided you attribute the work and do not suggest that FASEA endorses you or your work. To view a full copy of the terms of this licence, visit www.creativecommons.org/licenses/by/3.0/au/

Contents

Background.....	4
Purpose.....	4
Progress to Date.....	4
Summary of Standards.....	5
Standard 1 – Code of Ethics.....	6
Standard 2 – Education.....	7
Standard 3 – Exam.....	9
Standard 4 – Naming of Provisional Relevant Provider.....	10
Standard 5 – Work and Training (Professional Year).....	10
Standard 6 – Continuing Professional Development (CPD).....	11
Standard 7 – Foreign Qualifications (FQ).....	12
Next Steps.....	13
Legislative Instruments.....	13

Background

Purpose

The Financial Adviser Standards and Ethics Authority has been charged with implementing the Corporations Amendment (Professional Standards of Financial Advisers) Act 2017. The amendment makes changes to the Corporations Act 2001 to raise the education, training and ethical standards of financial advisers by requiring relevant providers to hold a degree or higher or equivalent qualification, pass an exam, undertake a professional year, undertake continuous professional development and comply with a Code. Transitional arrangements exist for existing advisers.

The legislation sets out seven components for this professional standards framework (s921U(2) of the Act):

- Approve bachelor or higher degrees, or equivalent qualifications
- Approve an exam
- Set requirements for work and training (Professional Year)
- Set requirements for continuing professional development (CPD)
- Specify a word or expression to refer to a professional relevant provider (PRP expression)
- Make a Code of Ethics
- Respond to applications for approval of foreign qualifications

Progress to Date

Over the course of 2018 FASEA has released consultation documents for each of these standards as detailed in the table below. Each had a timeframe for providing written submissions and there was also a consultation email address that received over 400 additional responses from individuals. Additionally, 10 consultation forums and workshops were run with over 170 participants from various stakeholder groups.

Standard	Release	Close of consultation	No. of written submissions
Code of Ethics	20 March 2018	1 June 2018	37
Education Pathways	20 March 2018	29 June 2018	150
Examination	11 July 2018	31 July 2018	67
PRP Expression	23 July 2018	15 August 2018	14
Foreign Qualifications	23 July 2018	31 August 2018	12
CPD	23 July 2018	31 August 2018	35

Since the close of consultation FASEA has worked to review the submissions made and subsequently reviewed each standard. Following this, FASEA is producing Legislative Instruments, Explanatory Statements and Policy Statements for each of the Standards. This document provides a summary of the key parameters for each of the Standards which will be reflected in the forthcoming legislative instruments and associated documentation.

Summary of Standards

Code of ethics

Compliance

from 1 January 2020

- 1 Values aligned to –
 - Trust
 - Competence
 - Honesty
 - Fairness
 - Diligence
- 2 12 standards in the areas of –
 - Ethical Behaviour
 - Client Care
 - Quality Process
 - Professional Commitment
- 3 A relevant provider must act at all times, in all cases in a manner that is demonstrably consistent with the 12 standards
- 4 The Code will be monitored by an ASIC approved code monitoring body

Education

New entrants

from 1 January 2019

Existing advisers

by 1 January 2024

- 1 New Entrant
 - Bachelor Degree (24 subjects – AQF7)
 - Career changer (with relevant experience) – Graduate Diploma (8 subjects – maximum – AQF8)
- 2 Existing adviser
 - FASEA approved degree – 1 subject (Code of Ethics bridging course)
 - Relevant degree – 4 subjects (3 bridging courses + 1 FASEA approved subject)
 - Non-relevant degree – Graduate Diploma (7 subjects – maximum)
 - No Degree – Graduate Diploma (8 subjects – maximum)
 - RPL available as per point 4 below
- 3 Bridging programs – RPL potentially available
 - Financial Advice Regulatory & Legal Obligations (Corporations Act, AML, Privacy & TPB)
 - The FASEA Code of Ethics (no RPL)
 - Behavioural Finance
- 4 Recognition of prior learning (RPL) examples for –
 - Advanced Diploma in FP (AQF6) – 2 credits
 - Approved coursework to attain a designation (eg. FPA's 5 unit CFP or AFA's FChFP post c. 2014) – 2 credits

Exam

New entrants

Passed before indirect supervision in PY

Existing advisers

Passed by 1 January 2021

- 1 3.5 hours including reading time
- 2 Limited open book – access to statutory materials
- 3 Selected and written response questions
- 4 Practical application of adviser knowledge in the following competency areas –
 - Financial Advice Regulatory & Legal Obligations (Corporations Act, AML, Privacy & TPB)
 - Financial Advice Construction
 - Applied Ethical and Professional Reasoning
- 5 Physical digital offering
- 6 Resits available
- 7 Curriculum, recommended reading lists and practice exam will be published
- 8 A Provisional Relevant Provider needs to pass the exam before moving to indirect supervision (Q3/Q4 – approximately 6 months into PY)

Work & training (professional year) & provisional relevant provider expression

New entrants

from 1 January 2019

- 1 1600 hours – 100 hours training and 1500 hours work
- 2 Supervisor – minimum 2 years experience as a relevant provider (post Professional Year)
- 3 Formal education contributes to training requirement
- 4 Competencies expected to be demonstrated before conclusion of PY are –
 - Technical Competence
 - Client Care and Practice
 - Regulatory Compliance and Consumer Protection
 - Professionalism and Ethics
- 5 PY Plan to define key direct and indirect supervision activities in a quarterly approach, including competency assessment with opportunity to accelerate into indirect supervised activities only after passing the exam.
- 6 Completion certificate at end of each quarter
- 7 Final Completion Certificate at end of quarter 4
- 8 PY is not required if the provider is returning from a career break
- 9 Templates will be available as guidance
- 10 Evidence collection and record keeping for 7 years
- 11 Provisional Financial Adviser or Provisional Financial Planner will be identified as such to clients

Continuing professional development

New entrants

Post professional year

Existing advisers

from 1 January 2019

- 1 40 hours (incl. professional reading at 4 hours)
- 2 70% approved by licensee
- 3 Formal education capped at 25 hours for CPD
- 4 CPD categories minimum hours –
 - Technical – 5 hours
 - Client Care and Practice – 5 hours
 - Regulatory Compliance and Consumer Protection – 5 hours
 - Professionalism and Ethics – 9 hours
 With the balance up to 40 hours consisting of qualifying CPD
- 5 Relevant provider returning after >2 years career break is required to prepare a CPD plan for their first year that is approved by their Licensee
- 6 Templates will be available as guidance
- 7 Licensee must publish their CPD Policy
- 8 Evidence collection and record keeping for 7 years
- 9 CPD requirements will align with Tax Practitioners Board requirements
- 10 Transition arrangements for 2019 will be pro-rated for licensees whose CPD year is not a calendar year

Foreign qualifications

- 1 The education pathways for those with foreign qualifications will mirror those for New Entrants and Existing Advisers (ie. 24/8 subjects)
- 2 Foreign qualifications will be assessed by DET or DET approved bodies (eg. CAANZ and CPA) as to Australian Qualification Framework (AQF) equivalence
- 3 FASEA will undertake assessment of the foreign qualification to determine the relevant pathway to meet FASEA's education standard
- 4 A precedent database of approved foreign qualifications will be displayed on the website

Standard 1 – Code of Ethics

The Code of Ethics addresses the values of Trust, Competence, Honesty, Fairness and Diligence. Advisers must act at all times, in all cases in a manner that is demonstrably consistent with the 12 standards in the areas of ethical behaviour, client care, quality process and professional commitment. Advisers will be monitored by an ASIC approved code monitoring body.

Standards of Ethical behaviour	Standards of Client care	Standards of Quality process	Standards of Professional commitment	Our values
<p>Standard 1</p> <p>You must act in accordance with all applicable laws, including this Code, and not try to avoid or circumvent their intent.</p> <p>Standard 2</p> <p>You must act with integrity and in the best interests of each of your clients.</p> <p>Standard 3</p> <p>You must not advise, refer or act in any other manner if you would derive inappropriate personal advantage from doing so.</p>	<p>Standard 4</p> <p>You may act for a client only with the client's free, prior and informed consent. If required in the case of an existing client, the consent should be obtained as soon as practicable after this Code commences.</p> <p>Standard 5</p> <p>All advice and financial products that you present to a client must be in the best interests of the client and appropriate to the client's individual circumstances.</p> <p>You must be satisfied that the client understands your advice, and the benefits, costs and risks of the financial products that you recommend, and you must have reasonable grounds to be satisfied.</p> <p>Standard 6</p> <p>You must take into account the broad effects arising from the client acting on your advice and actively consider the broader, long-term interests and likely circumstances of the client.</p>	<p>Standard 7</p> <p>The client must give free and informed consent to all benefits you and your principal will receive in connection with acting for the client, including any fees for services that may be charged. If required in the case of an existing client, the consent should be obtained as soon as practicable after this Code commences.</p> <p>Except where expressly permitted by the Corporations Act 2001, you may not receive any benefits, in connection with acting for a client, that derive from a third party other than your principal.</p> <p>You must satisfy yourself that any fees and charges that the client must pay to you or your principal, and any benefits that you or your principal receive, in connection with acting for the client are fair and reasonable, and represent value for money for the client.</p> <p>Standard 8</p> <p>You must maintain complete and accurate records relevant to services (including advice) you provide to each client (including former clients).</p> <p>Standard 9</p> <p>All advice you give, and all products you recommend, to a client must be offered in good faith and with competence and be neither misleading nor deceptive.</p>	<p>Standard 10</p> <p>You must develop, maintain and apply a high level of relevant knowledge and skills.</p> <p>Standard 11</p> <p>You must cooperate with ASIC and monitoring bodies in any investigation of a breach or potential breach of this Code.</p> <p>Standard 12</p> <p>Individually and in cooperation with peers, you must uphold and promote the ethical standards of the profession, and hold each other accountable for the protection of the public interest.</p>	<p>A relevant provider must always act to realise and promote the values of:</p> <ul style="list-style-type: none">• Trust• Competence• Honesty• Fairness• Diligence

A relevant provider is defined in the Corporations Act 2001 (s 910A) as an individual authorised to provide personal advice to retail clients, in relation to relevant financial products.

Standard 2 – Education

The maximum requirements for a New Entrant will be an approved bachelor degree (AQF7)¹ of 24 subjects; and for an Existing Adviser will be a Graduate Diploma of 8 subjects.

The minimum requirements for a New Entrant will be an approved Graduate Diploma (AQF8) of 8 subjects; and for an Existing Adviser will be 1 subject being FASEA's Bridging Course – The FASEA Code of Ethics and Code Monitoring Bodies – for those with a FASEA approved bachelor or master degree.

Recognition of prior learning and the number of subjects required, will vary by pathway for each individual as described below.

FASEA will issue an initial Legislative Instrument (LI) in respect of historical and current bachelor degrees, graduate diplomas and master degrees that are approved pursuant to our Education Pathways Policy and Program and Provider Accreditation Policy.

Future LIs will add new degrees, equivalent qualifications, bridging courses and FASEA approved coursework undertaken to obtain a designation. FASEA will continue to assess education for approval as applications are received, pursuant to the processes documented in our policies.

New entrant	Existing adviser with approved degree	Existing adviser with relevant degree	Existing adviser with non-relevant degree	Existing adviser with no degree
Education required Approved Degree (24 subjects at AQF7) from January 1 2019 OR <ul style="list-style-type: none"> Approved Graduate Diploma (AQF8) Approved Masters Degree (AQF9) All with embedded bridging knowledge areas	FASEA approved Bachelor Degree (AQF7) or Graduate Diploma (AQF8) or Master Degree (AQF9) already meets the qualification requirements. Education required Bridging Course (1 subject – FASEA Code of Ethics at AQF8) by no later than Jan 1 2024	Education required Bridging Course (3 subjects at AQF8 + 1 FASEA approved subject) by no later than Jan 1 2024 Relevant degree definition – 8 subjects at AQF 7, 8 or 9 that contain at least 8 courses in one or more of the designated related fields of study in any combination – accounting, taxation law (as defined by the TPB), finance law, finance, business law (as defined by the TPB), investment, estate law, banking, economics.	Education required Approved Graduate Diploma (7 subjects at AQF8) by no later than Jan 1 2024	Education required Approved Graduate Diploma (8 subjects at AQF8) OR Other approved qualifications – Bachelor Degree (AQF7) or Masters Degree (AQF9) by no later than January 1 2024
Bridging Course subjects <ul style="list-style-type: none"> Financial Advice Regulatory & Legal Obligations (Corporations Act, AML, Privacy & TPB) The FASEA Code of Ethics and Code Monitoring Bodies Behavioural Finance: Client and Consumer Behaviour, Engagement and Decision Making 				
RPL – Recognition of Prior Learning <ol style="list-style-type: none"> Holds an Advanced Diploma of Financial Planning – 2 credits Completed approved coursework to attain a designation (eg. FPA's 5 unit CFP, FchFP post c. 2014) – 2 credits 				

¹ Australian Qualifications Framework (www.aqf.edu.au)

The table below may assist relevant providers identify the number of courses required to meet FASEA's Education Standard.

Pathway			Outcome (# of courses)																																
EA - Approved degree	FASEA 1 Bridging Course	1	*																																
EA - Relevant degree + ADFP	FASEA 1 Bridging Courses	1	*																																
EA - Relevant degree + approved coursework to attain designation	FASEA 1 Bridging Courses	1	*																																
EA - Non-relevant degree + ADFP + approved coursework to attain designation	FASEA 3 Bridging Courses (5 credits for degree, ADFP and approved coursework undertaken to attain designation)	3	*	*	*																														
EA - Relevant degree	FASEA 3 Bridging Courses + 1 FASEA Approved Unit (4 credits for degree)	4	*	*	*	*																													
EA - No degree + ADFP + approved coursework to attain designation	Approved GDip less 4 credits for ADFP and approved coursework undertaken to attain designation	4	*	*	*	*																													
EA - Non-relevant degree + ADFP	Approved GDip less 3 credits degree and ADFP	5	*	*	*	*	*																												
EA - Non-relevant degree + approved coursework to attain designation	Approved GDip less 3 credits degree and approved coursework undertaken to attain designation	5	*	*	*	*	*																												
EA - No degree + ADFP	Approved GDip less 2 credits for ADFP	6	*	*	*	*	*	*																											
EA - No degree + approved coursework to attain designation	Approved GDip less 2 credits for approved coursework undertaken to attain designation	6	*	*	*	*	*	*																											
EA - Non-relevant degree	Approved GDip less 1 credit for degree	7	*	*	*	*	*	*	*																										
EA - No degree	Approved GDip	8	*	*	*	*	*	*	*	*																									
New Entrant - Career changer	Approved GDip	8	*	*	*	*	*	*	*	*	*																								
New Entrant	Approved Bachelor Degree	24	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*

* EA - existing advisor / ADFP - Advanced Diploma of Financial Planning / GDip - Graduate Diploma

Standard 3 – Exam

The exam allows candidates to demonstrate professional reasoning and apply knowledge acquired to actual financial advice scenarios at AQF7 level. The curriculum will cover:

- Financial Advice Regulatory and Legal Obligations (including Corporations Act – Chapter 7, Anti-Money Laundering (AML), Privacy and Tax Practitioners Board (TPB))
- Financial Advice Construction – suitability of advice aligned to different consumer groups, incorporating consumer behaviour and decision making
- Applied ethical and professional reasoning and communication incorporating FASEA Code of Ethics and Code Monitoring Bodies.

The exam will be 3.5 hours including reading time and open book as far as statutory materials are concerned.

New entrants need to pass the exam before indirect supervision in PY **Existing advisers** need to pass the exam by 1 January 2021

- 1 3.5 hours including reading time
- 2 Open book as far as statutory materials are concerned
- 3 Selected and written response questions
- 4 Practical application of adviser knowledge in the following competency areas –
 - Financial Advice Regulatory & Legal Obligations (Corporations Act, Anti Money Laundering, Privacy and Tax Practitioners Board)
 - Financial Advice Construction
 - Applied Ethical and Professional Reasoning
- 5 Physical digital offering
- 6 Resits available
- 7 Curriculum, recommended reading lists and practice exam will be published
- 8 A Provisional Relevant Provider needs to pass the exam before moving to indirect supervision (Q3/Q4 – approximately 6 months into Professional Year)

Standard 4 – Naming of Provisional Relevant Provider

The only expressions to be used for a Provisional Relevant Provider are “Provisional Financial Adviser” or “Provisional Financial Planner”.

Standard 5 – Work and Training (Professional Year)

The Work and Training requirement (Professional Year) requires 1600 hours during a 12 month period (equivalent FTE). A Provisional Financial Adviser/Provisional Financial Planner will be required to have a Professional Year Plan that is agreed with their supervisor and licensee and meets a quarterly activity framework aimed at developing the following competencies:

1. Technical Competence;
2. Client Care and Practice;
3. Regulatory Compliance and Consumer Protection; and
4. Professionalism and Ethics

New entrants from 1 January 2019

- 1 1600 hours – 100 hours structured training and 1500 hours work
- 2 Supervisor – minimum 2 years experience as a relevant provider (post Professional Year)
- 3 Formal education contributes to training requirement
- 4 Competencies expected to be demonstrated before conclusion of Professional Year are –
 - Technical Competence
 - Client Care and Practice
 - Regulatory Compliance and Consumer Protection
 - Professionalism and Ethics
- 5 Professional Year Plan will need to define key direct and indirect supervision activities in a quarterly approach, including competency assessment with opportunity to accelerate into indirect supervised activities only after the Provisional Relevant Provider has passed the exam
- 6 Completion certificate can be issued at end of each quarter with an attestation that competency has been achieved. Thereafter the Provisional Relevant Provider can move to the next quarter
- 7 Final Completion Certificate can be issued at end of quarter 4 including attestation that Work and Training Requirement activities are complete and competency has been obtained at the appropriate level to complete Work and Training Requirement
- 8 Professional Year is not required if the provider is returning from a career break
- 9 Templates will be available as guidance
- 10 Evidence collection and record keeping need to be maintained for 7 years
- 11 Provisional Financial Adviser or Provisional Financial Planner will be identified as such to clients

Standard 6 – Continuing Professional Development (CPD)

The annual CPD requirement is 40 hours, 70% of which is to be approved and recorded by the licensee; it may include professional reading of up to 10% and formal education of up to 25 hours.

New entrants will need to undertake this post professional year **Existing advisers** will need to undertake this from 1 January 2019

- 1 40 hours (including professional reading up to 4 hours)
- 2 70% approved by licensee
- 3 Formal education capped at 25 hours for CPD
- 4 CPD categories minimum hours –
 - Technical – 5 hours
 - Client Care and Practice – 5 hours
 - Regulatory Compliance and Consumer Protection – 5 hours
 - Professionalism and Ethics – 9 hoursWith the balance up to 40 hours consisting of qualifying CPD
- 5 A relevant provider returning after more than 2 years career break is required to prepare a CPD plan for their first year that is approved by their Licensee
- 6 Templates will be available as guidance
- 7 Licensees must publish their CPD Policy
- 8 Evidence collection and record keeping need to be maintained for 7 years
- 9 CPD requirements will align with Tax Practitioners Board requirements
- 10 Transition arrangements for 2019 will be pro-rated for licensees whose CPD year is not a calendar year.

Standard 7 – Foreign Qualifications (FQ)

Applications may be made to FASEA for approval of a foreign qualification which will be assessed by approving bodies such as Department of Education and Training (DET), Chartered Accountants Australia and New Zealand (CAANZ) or CPA Australia as to equivalence with Australian qualification standards.

- 1 The education pathways for those with foreign qualifications will mirror those for New Entrants and Existing Advisers (i.e. 24/8 subjects)
- 2 Foreign qualifications will be assessed by DET or DET approved bodies (eg. CAANZ and CPA) as to Australian Qualification Framework (AQF) equivalence
- 3 FASEA will undertake assessment of the foreign qualification to determine the relevant pathway to meet FASEA's education standard
- 4 A precedent database of approved foreign qualifications will be displayed on the website

Next Steps

Legislative Instruments

Over coming weeks legislative instruments will be released for each of the standards with explanatory statements and accompanying documentation as summarised in the table below. Each of these will be consulted on for up to four weeks, after which FASEA will review feedback received and finalise the standards. FASEA will then make the legislative instruments, approve the explanatory statement and lodge them with the Office of Parliamentary Council (OPC) for registration on the Federal Register of Legislation.

Standard	Documentation	Estimated release for consultation	Consultation period
Work and Training (Professional Year)	<ul style="list-style-type: none"> Legislative Instrument Explanatory Statement Policy Statement 	Week commencing 12 November 2018	2 weeks
PRP Term	<ul style="list-style-type: none"> Legislative Instrument Explanatory Statement 	Week commencing 12 November 2018	2 weeks
Code of Ethics	<ul style="list-style-type: none"> Legislative Instrument Explanatory Statement Code of Ethics 	Week commencing 19 November 2018	4 weeks
Education Pathways	<ul style="list-style-type: none"> Legislative Instrument Explanatory Statement Pathways Policy Statement Program and Provider Approval Guidelines 	Week commencing 19 November 2018	3 weeks
CPD	<ul style="list-style-type: none"> Legislative Instrument Explanatory Statement Policy Statement 	Week commencing 19 November 2018	2 weeks
Foreign Qualifications	<ul style="list-style-type: none"> Policy Statement 	Week commencing 26 November 2018	2 weeks
Examination	<ul style="list-style-type: none"> Legislative Instrument Explanatory Statement Policy Statement 	Week commencing 3 December 2018	2 weeks



Financial Adviser Standards
and Ethics Authority (FASEA)

PO Box A255
Sydney South NSW 1235

E consultation@fasea.gov.au

www.fasea.gov.au