

House of Representatives

Standing Committee on Economics – FASEA Opening Statement

30 June 2020

Thank you, Chair.

With the Committee's permission I will spend a few minutes reflecting on the purpose of FASEA's legislative role and highlighting the positive progress advisers are making in seeking to raise standards.

In April 2017, the Corporations Amendment (Professional Standards of Financial Advisers) Act 2017 amended the Corporations Act to raise the education, training, and ethical standards of licensed financial advisers in Australia.

In making these amendments the government highlighted that cases of inappropriate financial advice have had a negative impact on consumers' confidence in the financial services industry. This lack of trust was noted to be a barrier to consumers seeking financial advice. The government noted that the education, training, and ethical standards for financial advisers needed to be raised in order to improve consumer outcomes and increase public confidence in the advice they receive.

Importantly the amendments to the Corporations Act do not exempt or grandfather existing advisers from the requirements but rather, provide transition timeframes for advisers to reach the raised standards.

This need for quality advice delivered by a professional, trusted cohort is even more essential as we deal with and recover from the fallout of the COVID-19 pandemic.

FASEA's role is to legislate standards that assist the transition of financial advice to a profession and thereby hopefully to increase consumer confidence and trust in obtaining financial advice. From FASEA's point of view, the overarching goal is to bring to life the professional standards framework to encourage advisers to meet enhanced community, Government, and professional expectations.

FASEA has focussed on developing and releasing a standards framework that is balanced, workable and which draws upon a process of wide consultation.

This work appears to be bearing fruit. We see increasing numbers of advisers demonstrating their commitment to higher standards and to remaining in the industry by both sitting the exam and enrolling for additional study. It is good to have the opportunity to clarify these actual numbers. In a nutshell, 56% of all registered advisers will have sat the exam by the end of the August exam session.

FASEA, with the support of the Exam administrator (ACER), has successfully offered 6 exam sittings to date on more than 30 exam days and 341 exam sessions.

Since June 2019, exams have been offered in capital cities and also in 22 regional locations across Australia (with the April and June 2020 exams being remote only exams due to COVID-19 restrictions).

These 341 exam sessions together with remote sittings have enabled 10,250 advisers to sit the exam. 2400 advisers have registered to date for the upcoming August exams. This means as we sit here today, 56% of the total number of advisers registered on the ASIC Financial Adviser Register will have sat or committed to sit the exam.

The exam is set at a challenge level equivalent to a Bachelor degree level of study with, on average, 86% of candidates passing each exam.

From a consumer perspective, this is a positive result with close to 9 in 10 of the existing advisers across the country who have sat the exam (on whom they presently rely for advice) having demonstrated they have the skill to apply their knowledge of advice construction, ethics and legal requirements to the practical scenarios tested in the exam.

FASEA has committed to a further 3 sittings of the exam in 2020 in August, October, and November and, will schedule multiple exams in 2021 presenting advisers with many opportunities to sit.

The Corporations Law requires all advisers to complete a bachelor or higher degree or equivalent qualification approved by FASEA. To date, FASEA has recognised over 160 degrees dating back to 1996. Advisers with a FASEA approved degree are, at most, required to complete an Ethics bridging course to meet their education requirement.

FASEA recognises the past experience and learning from existing advisers who do not hold an approved degree. In recognition of their practical experience current advisers who do not hold an approved degree are required, at a maximum, to complete an 8 course Graduate Diploma rather than a 24 course Bachelor degree. In effect this is a 2/3rds discount for experience. With a transition period to 1 January 2026 this means an existing adviser with no bachelor or higher or equivalent level of study will, at most, be required to complete approximately 1 subject per year to meet their education requirement.

Advisers who have completed relevant degrees or other forms of equivalent study are required to do less than this through FASEA's recognition of relevant degrees and prior learning.

For example, a stockbroker who has not completed an approved degree at bachelor level but has completed the historical Securities Institute Graduate Diploma of Applied Finance and Investments will only be required to complete an ethics bridging course to meet the education requirement.

A stockbroker who has completed a relevant degree in a field such as Economics or Investment and the SAFAA professional diploma in stockbroking will only be required to complete 3 bridging courses by 1 January 2026. Those courses being financial advice regulatory and legal obligations, ethics for professional advisers and behavioural finance (client and consumer behaviour, engagement and decision making).

Pleasingly existing advisers are embracing the education opportunities being offered by higher education providers and potential new entrants to industry are enrolling in bachelor and higher degrees approved by FASEA.

2019 annual returns from higher education providers highlight that nearly 3000 existing advisers are enrolled in bridging courses and existing advisers are enrolled in over 6,500 individual bachelor or higher degree subjects.

Importantly, over 900 potential new entrants to financial advice are enrolled in bachelor or higher degrees and over 100 new entrants have commenced their PY.

In the future, on joining the industry these new advisers will benefit from a year of professional training under the guidance of committed advisers who have met the raised standards set by the Corporations Act.

FASEA remains committed to ongoing consultation with stakeholders as the reforms bed down.

We are committed to continuing to provide guidance on the Financial Planners and Advisers Code of Ethics which was registered in February 2019 and was released with guidance explaining its operation well ahead of its coming into effect on 1 January 2020.

In line with the intent of the reform program and the explanatory memorandum to the amendment to the Act, the Code introduces ethical duties on advisers that go above the requirements in existing law and are designed to encourage and embed higher standards of behaviour and professionalism in the financial advice sector.

The Code appropriately places personal responsibility on advisers to understand and apply their professional judgement to their ethical obligations in client engagements so that their professional conduct is focussed on providing advice that is in the best interests of the client.

In closing, it is important not to lose sight of the vision of the reforms, to raise the education, training and ethical standards of advisers and improve consumer confidence in the profession of financial advice. We are seeing thousands of advisers willing to raise their standards by undertaking the education requirements and sitting the exam and pleasingly they are performing well in doing so.