

Financial advisers raising education standards

FASEA congratulates those financial advisers and educators who have embraced Parliament's Corporations Act amendments to raise the education standards of financial advisers.

Key highlights of advancements being made in financial adviser education include:

- 180% increase in FASEA approved university level course units being studied by existing and potential financial advisers with 33,703 individual course unit enrolments across 27 Universities and other Higher Education Providers (HEP) at the end of 2020 compared with 12,054 in 2019.
- 203% increase in the number of bachelor's degree units being studied by an estimated 2,800 potential new entrants to advice from 5,548 units in 2019 to 16,817 units in 2020.
- 160% increase in postgraduate and bridging units being studied by existing advisers from 6,506 in 2019 to 16,886 in 2020.
- 590 new entrants to industry (as at September 2021) have commenced their Professional Year since January 2019 with enrolments increasing from 47 in 2019, 209 in 2020 and 334 in the 9 months of 2021
- In excess of 200 licensees have 1 or more Professional Year entrant training under the supervision of an experienced adviser
- 99% of advisers have completed their structured minimum 40-hour CPD requirements based on the FAR as at 30 June 2021
- 212% increase in the number of FASEA approved current and historical courses from 57 in 2018 to 178 in 2021
- Over 56% of advisers on the FAR have an approved or relevant degree
- Approximately 50% of advisers who have no degree have received recognition for prior learning
- HEP's have embraced the increase in demand for financial advice courses and are offering over 67 current degrees and 54 bridging courses for existing and potential advisers to enrol in with further applications for approval being received and under assessment by FASEA.

The uplifting of financial adviser levels of education represents a key component of Parliament's vision to build a trusted, educated, and ethical financial advice profession. Advisers who have completed their education or embarked on their education pathway will play a significant role in helping build a profession, that consumers can have confidence in today and into the future.

Background

The Corporations Amendment (Professional Standards of Financial Advisers) Bill 2016 (Bill) approved by Parliament on 9 February 2017 made amendments to the *Corporations Act 2001* (Corporations Act) to raise the education, training and ethical standards of financial advisers by requiring relevant providers (that is, financial advisers providing personal advice to retail clients on more complex financial products) to hold a



degree (or higher or equivalent) qualification, undertake a professional year, pass an exam, undertake continuous professional development (CPD) and comply with a Code of Ethics (Code)¹.

In making these amendments the Government noted that recent examples of unethical behaviour and inappropriate financial advice have contributed to decreased trust and confidence in the financial services sector². The Government noted that current standards were not commensurate with the level required to ensure appropriate technical and professional competence and, in some instances, the existing standards have not been applied consistently across the industry and the rigour and quality of some courses is questionable.³

Parliament's amendments to the Corporations Act were informed by the findings and recommendations of several independent reviews including the Financial System Inquiry (FSI) Report November 2014 and the Parliamentary Joint Committee (PJC) Inquiry into proposals to lift the professional, ethical and education standards in the financial services industry in December 2014 as well as through consultation with industry stakeholders.

In making the amendments Government recognised that it was time to put in place an enduring framework that raises the professional, ethical and education standards of advisers.⁴

Education requirements for advisers

The requirement for financial advisers to have an approved bachelor's degree or higher was in response to concerns raised during the FSI and PJC which assessed that current education and training standards were:

- low (diploma) level
- vague
- not holistic (e.g., there was no ethical course requirements)
- not current with market conditions

When establishing the new education requirements, the government stated that the requirements for the degree would be determined by the Standards Body (FASEA). When assessing degrees FASEA was directed to identify "which courses are relevant to the provision of financial advice and should be approved".

To do this, and consistent with findings from the FSI and PJC inquiries, other professions, and stakeholder consultation and input, FASEA established a framework containing a core body of knowledge that identified

¹ The Parliament of the Commonwealth of Australia, House of Representatives, Corporations Amendment (Professional Standards of Financial Advisers) Bill Explanatory Memorandum 2016 page 3

² The Parliament of the Commonwealth of Australia, House of Representatives, Corporations Amendment (Professional Standards of Financial Advisers) Bill 2016 Explanatory Memorandum page 4

³ The parliament of the Commonwealth of Australia House of Representatives, Corporations Amendment (Professional Standards of Financial Advisers) Bill explanatory Memorandum 2016 Page 4

⁴ The Parliament of the Commonwealth of Australia House of Representatives, Corporations Amendment (Professional Standards of Financial Advisers) Bill explanatory Memorandum 2016 Page 6

the components that a financial adviser is expected to have competency in before entering industry. It is this body of knowledge that degrees are bench marked and approved against. All new entrants to industry must have completed an approved degree.

Core knowledge areas

- 1 Financial advice principles
- 2 Ethics and professionalism (including FASEA Code of Ethics and Single Disciplinary Body)
- 3 Superannuation and retirement planning
- 4 Estate planning
- 5 Insurance planning and risk management
- 6 Taxation (including Tax Practitioners Board requirement)
- 7 Investments
- 8 Commercial law (including Tax Practitioners Board requirement)
- 9 Financial plan construction (Capstone)
- 10 Financial advice, regulatory and legal obligations (Corporations Act 2001, Tax Agents Services Act 2009, Anti-Money Laundering & Privacy)
- 11 Behavioural finance, client and consumer behaviour, engagement and decision making

How is this practically applied?

Advisers new to financial advice (new entrants), must complete a FASEA approved degree which covers the core knowledge areas for financial advice, regardless of future advice specialisation. FASEA has approved 67 current bachelor's degrees or higher across 27 HEP's. There are currently 590 advisers who have entered industry with an approved degree in the two years the standard has been in force. At the end of 2020 there were an estimated 2800 students studying FASEA approved courses/degrees.

Existing advisers, with a bachelor or higher degree that covers the core knowledge areas (that is an approved degree) are only required to complete a university level ethics course that incorporates the FASEA Code of Ethics by 1 January 2026 and no further study is required. To date FASEA has approved 78 historical degrees across 20 HEP's and 3,665 advisers (based on the FAR as at 30 June 2021) have an approved degree.

For existing advisers who have a degree that covers part, but not all the core knowledge areas, their previous study has been recognised. These advisers have what is termed a "relevant degree". This includes amongst others, degrees with study in accounting, investment, economics, and law. Consistent with the bridging course approach included in the explanatory memorandum accompanying the Bill, these advisers are not required to complete a full FASEA approved degree, rather are required to undertake 3 bridging courses and a capstone unit (the capstone unit is a unit that integrates financial advice knowledge and skills into one subject to be practically applied to a client scenario) by 1 January 2026.

The bridging courses aim to close the gap between the existing adviser's qualification and the core curriculum by covering the following areas not included in their more specialized degree:

- Financial advice regulation and legal obligations
- Ethics for professional advisers
- Behavioural finance

There are currently 7,169 advisers (based on the FAR as at 30 June 2021) who have a relevant degree.

Consistent with the building block approach to assess the equivalence of an adviser's body of study, the number of units that an adviser with a relevant degree is required to undertake may be reduced further through FASEA's recognition of course work undertaken in achieving professional designations and other studies offered by professional associations and other providers including:

- Financial Planning Association (FPA)
- Association of Financial Advisers (AFA)
- CPA Australia
- CAANZ
- Portfolio Construction Forum
- SAFAA
- CFA Australia
- SMSF Association
- Securities Institute Education

In addition to the above industry associations, 2 credits are also given for the completion of an Advanced Diploma of Financial Planning/Advice by a range of education providers. FASEA's analysis of the FAR indicated that there are 3,800 advisers with a relevant degree who have received credits for this study.

For example, a stockbroker with a relevant degree such as Bachelor of Commerce who has also completed the Securities Institute Diploma of Financial Markets is assessed as having qualifications equivalent to a FASEA approved degree and is only required to complete a course in ethics to meet the education standard.

Similarly, a financial planner with a degree in accounting who has completed an advanced diploma in financial planning/advice is also assessed as having a qualifications equivalent to a FASEA approved degrees and is also only required to complete an ethics course.

This approach of recognizing the equivalence of the total of a relevant providers formal education and requiring them to only complete bridging courses not covered by their existing qualifications is consistent with the approach outlined by government in the explanatory memorandum supporting the Bill.

For those advisers with a non-relevant degree or without a degree, FASEA established a Graduate Diploma pathway that takes into consideration previous experience and allows those advisers without any formal education to undertake a 7 unit (non-relevant degree holders) or 8-unit (no degree holders) graduate

diploma to meet the education standards by 1 January 2026 as opposed to a 24-unit bachelor degree. This directly recognizes the prior experience and informal learning undertaken by existing advisers and again is consistent with the approach outlined by government in the explanatory memorandum supporting the Bill.⁵

These advisers may also reduce the amount of study they need to complete their graduate diploma through FASEA's recognition of other learning noted for a relevant degree above. FASEA's analysis of the FAR indicated that there are 4,274 advisers with a non-relevant degree or no degree who will receive recognition of prior learning.

For further information in relation to education pathways refer to: [Education Requirements | FASEA](#)

Does experience or past CPD count towards meeting education requirements?

When the changes to the education standards were introduced, the government did not include any grandfathering provisions for experienced advisers, rather provided an extended time for experienced advisers to meet the minimum bachelor or higher or equivalent degree requirement.

The explanatory memorandum that was attached to the Bill noted "the length of time that the adviser has been in the industry is not itself a relevant consideration. The body may, however, take into account the fact that an adviser who has been in the industry for a large period of time has completed more CPD courses".

The memorandum supporting the Bill and the PJC and FSI noted, however, that current education standards were generally below a bachelor level of study, were not applied consistently across industry and the rigor and quality of some training courses is questionable.

Considering the known limitations and standards of CPD, FASEA considered that such training generally would not satisfy the raised standard as being equivalent to a bachelor degree level or higher qualification. Its recognition would not lead to a raising of minimum education standards across all financial advisers to Parliament's approved minimum level of bachelor degree or higher or equivalent qualification. As noted above however, the Graduate Diploma pathway recognizes experience and informal learning.

When does the education have to be completed by?

Existing advisers were granted a five-year transition period to 1 January 2024 (subsequently extended to 1 January 2026) to meet the new education standard. The transition period was designed to give existing

⁵ The Parliament of the Commonwealth of Australia House of Representatives, Corporations Amendment (Professional Standards of Financial Advisers) Bill explanatory Memorandum 2016 Page 76 & 77

financial advisers sufficient time to comply and to ensure that prompt action is taken to raise minimum standards and improve consumer confidence.⁶

Based on FASEA's analysis of the Financial Advisers Register (FAR) (acknowledging limitations as not all adviser education is listed or current on the FAR) there are 3,655 advisers with an approved degree and 7,169 advisers with a relevant degree (with approximately 3,800 with additional credits earned for RPL) meaning over half the advisers on the FAR only had to undertake between 1-4 subjects to meet their education requirements representing less than 1 subject per year during transition.

A range of education providers

Higher Education Providers (HEP) have embraced the move to higher education standards for relevant providers with 27 HEP (including 3 "sandstone" universities), offering 67 current degrees and 54 bridging courses seeking and obtaining accreditation from FASEA. In addition, FASEA has also recognised 78 degrees as approved historical degrees ensuring many financial advisers can meet their education requirements with existing qualifications. FASEA continues to assess applications for program and course accreditation and engage with HEPs on potential future applications.

For a full listing of all current and historical courses please refer to the FASEA website www.fasea.gov.au

Progress being made

In 2019 HEP's reported that there were 12,054 units of study in FASEA approved courses. In the 2020 reporting provided by HEPs to FASEA, HEP's reported an increase of 180% with 33,703 units of study in FASEA approved courses.

	Unit Enrolments		% Increase
	2019	2020	
Bachelor Units	5,548	16,817	203%
Bridging Units	2,909	4,506	55%
Post Graduate Unit	3,597	12,380	244%
	12,054	33,703	180%

Congratulations

FASEA commends those financial advisers who have embraced the professionalisation of the industry and embarked upon uplifting their education standards.

⁶ The Parliament of the Commonwealth of Australia House of Representatives, Corporations Amendment (Professional Standards of Financial Advisers) Bill explanatory Memorandum 2016 Page 75

FASEA also congratulates the 590 new entrants to the profession since the introduction of Education Standards, under the guidance of an experience supervisor.

These advisers are helping build the foundations of a trusted, educated, and ethical financial advice profession. In addition to those new entrants FASEA congratulates those advisers who have embraced the education requirements and we commend you on your efforts which will help restore confidence in financial advice across Australia.

For further information go to www.fasea.gov.au