



Rob Lomdahl
Head of Government & Regulatory Affairs
ANZ Corporate Affairs

833 Collins Street, Docklands, VIC 3008
Phone: +61 3 8654 3459 | Fax: +61 3 8654 8886
Email: Rob.Lomdahl@anz.com

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Ms Meghan Quinn
General Manager
Financial System and Services Division
Markets Group
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Ms Quinn

Lifting the professional, ethical and education standards in the financial services industry

ANZ welcomes the Government's consultation paper on recommendations of the Parliamentary Joint Committee on Corporations and Financial Services' (PJC) inquiry into proposals to lift the professional, ethical and education standards in the financial services industry. We commend Treasury on its engagement in support of a new framework to raise standards of financial advisers.

ANZ's Global Wealth division is one of Australia's leading providers of financial advice via a network of financial planning groups and ANZ Private Bank. Financial planning groups controlled by ANZ includes ANZ Financial Planning, RI Advice, Financial Services Partner and Millenium3, who operate under four separate licences and support over 1000 financial advisers.

In addition to increasing education and professional standards, we note that a number of other reforms are underway to address community concerns with the financial advice industry. ANZ is consulting with Treasury on breach reporting to establish clear guidelines on the appropriate standard for reporting. We welcome ASIC's announcement that it will develop a regulatory guide and remediation programs for Australian financial services licensees that provide financial advice. We are participating in discussions to advance a limited last resort compensation scheme taking into consideration the model proposed by the Financial Ombudsman Service and consumer organisations. ANZ also recognises the need to continue work to further improve the industry register.

Regarding the current consultation, ANZ strongly believes a rigorous professional standard and competency framework supported by appropriate regulatory and legislative requirements is a central element of a trusted profession. ANZ largely supports the recommendations of the PJC report adopted in the Treasury consultation paper including its focus on individuals providing financial advice on Tier 1 financial products. Should this scope come under review, we would request an opportunity to consult further.



Treasury's consultation paper is largely consistent with our views for a register of financial advisers, degree qualifications, a national exam, an independent body responsible for education standards, and the need for appropriate transitional arrangements to enable an orderly introduction of new requirements.

ANZ has worked closely with the Australian Bankers' Association to develop the agreed positions in the ABA submission. In this submission, we highlight a number of considerations to assist with the implementation of these measures.

Education and training standards of financial advisers

ANZ supports lifting the education and training standards for existing and new advisers.

Existing advisers

Existing advisers require appropriate transitional arrangements for moving to comply with the new education and training standards. This should reflect their experience and previous learning but must deliver similar high professional standards for all financial advisers. This is critical to achieving a credible and trusted profession.

Recognition should be given to existing advisers of their past qualification attained under ASIC Regulatory Guide 146 and their past experience. An analysis of required standards and gaps should be undertaken to formulate bridging programs so that these advisers can meet required competency standards and attain appropriate qualifications or designations by the end of the transition period.

The standards required should be at a minimum of AQF level 7. There needs to be a number of pathways to attaining this standard other than a degree qualification, for example, an advanced diploma together with a certification such as CFP or FCHFP, or a graduate diplomas in financial planning. These options would ensure higher AQF standards whilst recognising an adviser's experience.

New advisers

ANZ supports the proposal to mandate a degree qualification at AQF level seven (Bachelor Degree) for new entrants to the industry. For those applicants with a degree but not a 'relevant degree' (ie one approved by the independent standard-setting body), it should be possible for the applicant to pursue relevant post graduate studies as a pathway into the advice profession.

All new advisers would also be required to undertake a professional year where their provision of financial advice is supervised by a fully qualified adviser or licensee.

Structure and role of a standard-setting body

ANZ supports the PJC recommendation for an independent body – the Financial Planning Education Council (FPEC) – to set and monitor the education framework that applies to financial advisers.

We wish to highlight that the requirement for independence is critical for the FPEC to be seen as a credible and effective standard-setting body for financial advisers. We think this would be best achieved by having a diverse and balanced group of representatives for the FPEC Board. The FPEC should be supported by Government and ASIC, and be able to incorporate views and expertise from a diverse range of stakeholders in advisory capacities. This should include representatives from professional bodies, consumer advocates, education experts, ethicists and licensees.



Registration

ANZ supports the proposed PJC model where registration is a requirement to practise as a financial adviser. Registration requirements for financial advisers serve the dual purpose of ensuring consumer transparency of advisers' qualifications and suitability, and also forming part of the overall monitoring of advisers compliance with their obligations. ANZ supports incorporating the following controls in the ASIC register for practising financial advisers:

- Only advisers that have met their national registration exam requirement can be listed as a registered financial adviser on the register once it is fully implemented
- ANZ supports the ABA recommendation that the cut-off date for full registration of existing advisers be the later of 31 December 2019 or 3 ½ years from the date the training curriculum is finalised and appropriate courses are available for enrolment
- Advisers undertaking their professional year should have a provisional listing on the register
- The professional year should only apply to new advisers
- Advisers that do not meet their ongoing professional development requirements should be removed from the register (see section below relating to ongoing professional development).

Exam

ANZ supports the proposal for FPEC to develop and administer a national registration exam for new applicants to sit after completing a relevant degree and a professional year. Existing advisers should also meet the national registration exam requirement and complete their degree or degree equivalent bridging program.

Ongoing professional development

Ongoing professional development is necessary so advisers continue to develop and evolve with the requirements of their profession to maintain the standards for enhanced consumer outcomes and confidence. Consistency across all financial advisers is important to ensure minimum levels of ongoing education, up to 40 hours per year of continuing professional development (CPD), or 120 hours over 3 years of CPD to provide flexibilities for reasonable absences.

There will be practical implications in monitoring compliance with ongoing professional development requirements. As noted above, the ASIC register could also be used to ensure compliance with these ongoing requirements. For example, professional associations could certify that relevant advisers have met their requirements for the period as part of their annual renewal of membership. The certification could be used to demonstrate that they have met the condition of registration.

Professional and ethical standards

ANZ agrees that promoting an ethical culture and ethical behaviour is a core part of any profession. ANZ intends to work closely with the banking industry to develop a curriculum on ethics and responsible decision making in collaboration with the Financial Planning Association, the Association of Financial Advisers and the St James Ethics Centre.

Transitional arrangements

ANZ expects that much of the costs and effort of the new education and training standards are likely to be incurred in transitioning existing advisers. ANZ is committed to transitioning to a system requiring higher educational standards of existing advisers, however, on balance we support providing an additional 12 months of flexibility to the timeline proposed by Treasury given the large number of advisers that must become registered.



Transitioning existing advisers is likely to be resource intensive not just for the licensee, but also for the FPEC, possibly ASIC for its role in the adviser register and the various associations that are transitioning to become professional associations.

Other issues relating to transition are adequately covered by the Treasury consultation paper. We see the key milestones as:

- The establishment of the FPEC
- Modifications to the adviser registration process with ASIC
- Development and release of the education standards and professional stream subjects for both new and existing advisers
- Time it takes to complete appropriate bridging arrangements for existing advisers (noting this will vary across existing advisers)
- Professional associations to establish codes of ethics
- Target date for existing financial advisers to qualify for full registration.

Conclusion

ANZ strongly supports improving the quality of personal financial advice, increasing professionalism and enhancing the credibility and confidence of the industry. We reiterate our support for the detailed ABA submission, including its detailed consideration of the FPEC proposal.

If you have any questions in relation to this submission please do not hesitate to contact me.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Rob Lomdahl'.

Rob Lomdahl

Head of Government & Regulatory Affairs