

7 May 2015

Mr Jongsok Oh
Financial Services Unit
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Markets Group
The Treasury
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Dear Mr Oh

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

BT Financial Group (BTFG) welcomes the opportunity to provide comments on The Treasury Consultation Paper – Lifting the professional, ethical and education standards in the financial services industry (the Consultation Paper).

BTFG strongly supports the transition of the financial advice industry into a true profession. In October 2014 we took a leadership position by launching four major initiatives that focus on improving the client experience, adviser professionalism and transparency:

- 1. A new online public adviser register**
Adviser View, which displays an advisers' independently verified education qualifications, specialities and also includes consumer satisfaction ratings and comments. *Adviser View*, can be accessed at www.btadviserview.com.au
- 2. Our 'Advice Commitment' to transparency and quality advice**
BTFG has also released a new 'Advice Commitment' which details the service and standards consumers should expect from their advisers. Our advice commitment can be accessed at https://www.westpac.com.au/docs/pdf/pb/1999030/BT_Advice_Charter.pdf
- 3. New minimum qualifications for all advisers**
By the end of 2019 all advisers employed in the Westpac, St.George, Bank of Melbourne and BankSA networks will have to hold a Certified Financial Planner (CFP) designation, Fellow Chartered Financial Practitioner (FChFP) designation or Masters of Financial Planning (MoFP). For those who do not already have this, they will be required to achieve a minimum qualification of Advanced Diploma of Financial Planning, or the equivalent, by the end of 2015.
- 4. Compulsory professional membership**
Professional membership is now compulsory and Westpac Group advisers are all

now members with either the Financial Planning Association or the Association of Financial Advisers.

We have actively contributed to the Parliamentary Joint Committee on Corporations (PJC) and Financial Services' inquiry into proposals to lift the professional, ethical and education standards in the financial services industry.

We strongly support the broad framework proposed by the PJC which is designed to lift professional standards across the whole industry and support its progression into a trusted profession. An enhanced level of ethics, education and competency, attested by a new national professional standards framework, can only increase both consumer confidence and the quality of advice.

Our submission offers support and practical recommendations to assist the Government's implementation of the PJC recommendations. In particular, we believe the creation of a financial advice profession will be significantly enhanced by:

- The establishment of an Independent Professional Standards Council
- Raising minimum industry education requirements
- The introduction of mandatory industry wide ethical training
- The introduction of an industry wide consistent and enhanced approach to ongoing Continuous Professional Development (CPD) requirements
- Requiring all financial advisers to hold membership of an approved professional body and adhere to a code of conduct
- Introducing of an industry wide registration exam and supervision year

Our submission comprises three appendices:

1. BTFG's 2020 Vision for the financial advice profession, where we set out our vision on how we believe the advice industry needs to change over time
2. Visual representation of new requirements commencing between now and 2020
3. BTFG's responses to specific questions raised in the Consultation Paper

We believe the successful implementation of the PJC recommendations will significantly advance the industry towards our 2020 Vision of a transformed financial planning profession. We appreciate the Government's open and collaborative consultation on the PJC recommendations and we would welcome the opportunity to discuss any of our recommendations with The Treasury.

Yours sincerely



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General Manager Advice
BT Financial Group



Brett Gale
Head of Government & Industry Affairs
Westpac Group

Appendix 1: BT Financial Group's 2020 Vision – The Profession of Financial Advice

We have taken strong positive steps to ensure financial advice continues to develop into a trusted profession.

By 2020, BT Financial Group's vision for the whole financial advice industry is that financial advisers are:

- considered a trusted profession
- subject to rigorous regulatory oversight by both Government and professional bodies
- required to have high standards of education and demonstrated competency before being able to practice
- recognised for adhering to the highest standards of ethical behaviours and conduct

The current and future environment

Successive Governments of both political parties have rightly taken steps to address concerns regarding the provision of quality financial advice.

The need for Australians to obtain quality financial advice in their best interests is paramount. Addressing issues of distrust and education and competency standards will make considerable steps toward improving confidence in the financial advice industry and encourage more Australians to seek advice that is relevant to their needs.

The financial planning industry should seize the opportunity the current environment presents to establish a new model of co-regulation. The model should be based on established professions such as accounting and law, and do this in a manner that enhances the ability of participants to provide quality financial advice outcomes to consumers.

PJC recommendations support a co-regulatory model for the financial advice profession

Below are our recommendations on how the Government and industry could best utilise the constructive work of the PJC to raise professional, ethical and education standards to create a recognised financial advice profession by 2020.

1. Establishment and remit of the Independent Professional Standards Council

Recommendation:

We recommend the creation of a new independent statutory body, hereafter referred to as the Independent Professional Standards Council (IPSC) that has a clear mandate to set and govern professional, ethical and education standards for financial advisers. The IPSC would be a non-profit, independently governed organisation that would develop a comprehensive professional standards framework. This body should be established and operational by 1 January 2016.

The IPSC would be funded by the industry and delegated some form of statutory/regulatory authority to perform its role. This delegation would ensure that membership of the IPSC, or alternatively adherence to its minimum standards (for example on education) is compulsory.

The IPSC would be accountable for delivering on its objectives to ASIC, Parliament and ultimately consumers. In this regard, it is important to note that the purpose of the IPSC is not to replace ASIC as the regulator for the financial planning industry. However, it would provide important input into ASIC's role, such as through determining the minimum education requirements currently contained within RG 146.

The IPSC would also allow for the centralisation of various existing training and competency requirements, such as those applicable to financial advisers under the Tax Agent Services regime, to bring them all under one holistic professional standards framework.

To be effective, the IPSC mandate would need to expand beyond the setting of formal education standards. Its remit should extend to the development of conduct, leadership and community standards that incorporate appropriate ethical, behavioural and professional responsibilities.

2. Raise the minimum education requirements of the industry

Recommendation:

We recommend that from 1 January 2020, a new minimum education requirement apply to any person providing personal financial advice to a consumer. This new minimum standard should be set at a relevant qualification / designation obtained at an Australian Qualifications Framework (AQF) level 7 minimum.

This standard would apply to both new and existing advisers.

The implementation of new minimum education standards should be staged in recognition that action needs to be taken as soon as possible to lift the standard, while having regard to the potential impact on the existing industry to achieve compliance. Any change should not disrupt the industry's ability to provide financial advice and have minimum impact to the cost of receiving that advice.

We propose a staged approach where:

- a) Anyone entering the industry between 1 July 2016 and 30 June 2017 must have a degree qualification and a relevant bridging course at an AQF level 6 (eg Advanced Diploma in Financial Planning) or above.
- b) Anyone entering the industry between 1 July 2017 and 31 December 2019 must have a degree qualification and a relevant bridging course at an AQF7 minimum level.
- c) From 1 January 2020, all new entrants and existing planners must have a relevant qualification or designation obtained at an AQF7 minimum level. Importantly, this would cover financial advisers who have been awarded designation as a Certified Financial Planner (through the Financial Planning Association) or as a Fellow Chartered Financial Practitioner (through the Association of Financial Advisers), and completed all requirements to retain that designation since being awarded.

3. Introduce mandatory ethical training

Recommendation:

We recommend that all planners complete a mandatory ethics and responsible decision making course. For new planners, this should be completed during their first 12 months (ie during their supervisory year). For existing planners, it should be completed within 24 months of the course becoming available.

A program is close to commencing with the St James Ethics Centre (SJEC) to potentially meet this need. The Ethical Literacy Program (ELP) has been established to provide a national, industry-wide platform for the promotion, enablement and maintenance of a common ethos and practice to those offering professional financial planning and advice services. The ELP has been designed to complement and enhance existing industry ethical standards by focussing on the practice of ethics in professional situations.

4. Introduce a consistent and enhanced approach to ongoing CPD requirements

Recommendation:

We recommend that a consistent approach to CPD be mandated across the financial planning industry, requiring 40 hours of structured CPD each year. This would include a minimum of 5 hours dedicated towards ethics. This approach should be mandatory from 1 July 2017, with Licensees and professional associations able to determine their own phased approach to meeting this commencement date.

It is anticipated that the IPSC would determine the broad criteria which will be used to assess and measure CPD activities. By requiring CPD activities to be structured (which generally involves an assessment component), there will be the ability to assess whether participants have understood and comprehended the topic discussed, at AQF level 7.

5. Require membership of an approved professional body and adherence to a code of conduct

Recommendation:

We recommend that any planner who wishes to be authorised to provide personal financial advice and therefore be listed on the Financial Advice Register (FAR) must be a member of an approved professional association from 1 July 2017.

The IPSC would have jurisdiction to determine which associations are approved for this purpose. We believe that characteristics required for an association to be approved include (but are not necessarily limited) to the following:

- The association must have a code of conduct that meets certain minimum requirements. The IPSC, in consultation with the Professional Standards Council, could determine the required characteristics of a professional code for these purposes.
- The association must have minimum CPD requirements in line with proposed changes outlined above.
- The association must be able to demonstrate its capability to enforce compliance with the code and CPD requirements and take enforcing disciplinary action for non-compliance.

- The association must enter into an agreement to share relevant information with the IPSC.

6. Introduce the concept of a registration exam and supervision year

Recommendation:

We recommend the introduction of a consistent registration exam to be completed by all providers of personal advice. Once the exam is available, we recommend that it must be completed before a financial planner is listed on the FAR.

For any planners already on the FAR at the time the exam becomes available, we recommend it must be completed within 12 months, and no later than 31 December 2019.

To provide professional services as a Barrister, one must meet a number of requirements which includes the Bar exam. We support the introduction of a similar concept for financial planners.

The exam would ensure that financial planners demonstrate a consistent level of understanding. It would also aid in removing any questions about the quality of the education that a person has undertaken to meet the minimum education requirements.

New and existing advisers who fail the exam on the first attempt should be allowed to resit it within 30 days. Any subsequent fail (or failure to resit the exam in the initial 30 day period) will result in a 3 month wait before the exam can be sat again, with the three month timeframe remaining in place between any subsequent attempts.

For new planners, as this is a precursor to registration on FAR and authorisation under a licensee, there is no detriment to the end consumer.

For existing planners who do not pass the first attempt (or within the 30-day resit period), they should have their Practising Certificate (see below) revoked and be subject to a supervision model similar to that proposed for new planners (see below) until they successfully complete the exam. If the planner has not successfully passed the registration exam by 31 December 2019, they should be removed from the FAR and would be treated as a new adviser for all other purposes should they seek re-entry after that time.

Recommendation:

We recommend that new financial planners be subject to an enhanced supervision model for a period of not less than 12 months. This period commences once the planner is listed on the FAR and authorised to provide advice. Their FAR registration should be noted as provisional whilst subject to this enhanced supervision requirement.

In many professions, there is a period of supervision required before a person can be authorised to undertake professional activities in their own right. In the accounting profession, there is a minimum of 12 months' experience required before the Professional Year program can be commenced. The financial planning profession is slightly different, but the requirement to have appropriate supervision should remain. We believe the industry should commence the supervision year from 1 July 2017.

This supervision model should be designed as a preventative control – to review the quality of advice before it is provided to a consumer – rather than as a detective control after the fact. Financial advisers undergoing their supervision year should be on the FAR.

However, further investigation of the appropriate model is required as a result of the introduction of new advice models, such as phone based advice, and the potential

emergence of robo-advice. These new models do not allow for monitoring or review of personal advice as those models contemplate advice being provided in real time.

We anticipate that the IPSC will determine the relevant qualifications and/or experience of those eligible to provide supervisory oversight.

7. Introduce the concept of a Practicing Certificate

Recommendation:

We recommend that a Practicing Certificate be introduced for financial planners. The purpose of this Certificate is to give consumers confidence that their financial planner meets all new minimum requirements.

Consideration should also be given to the value of introducing a similar concept at a Licensee level.

To give consumers confidence that a planner is meeting their professional requirements, a standardised Practicing Certificate should be introduced. This would certify that a person (and therefore business) is able to provide personal financial advice (eg is listed on the FAR) under the requirements of the law, regulator and professional associations (overall governed by the IPSC).

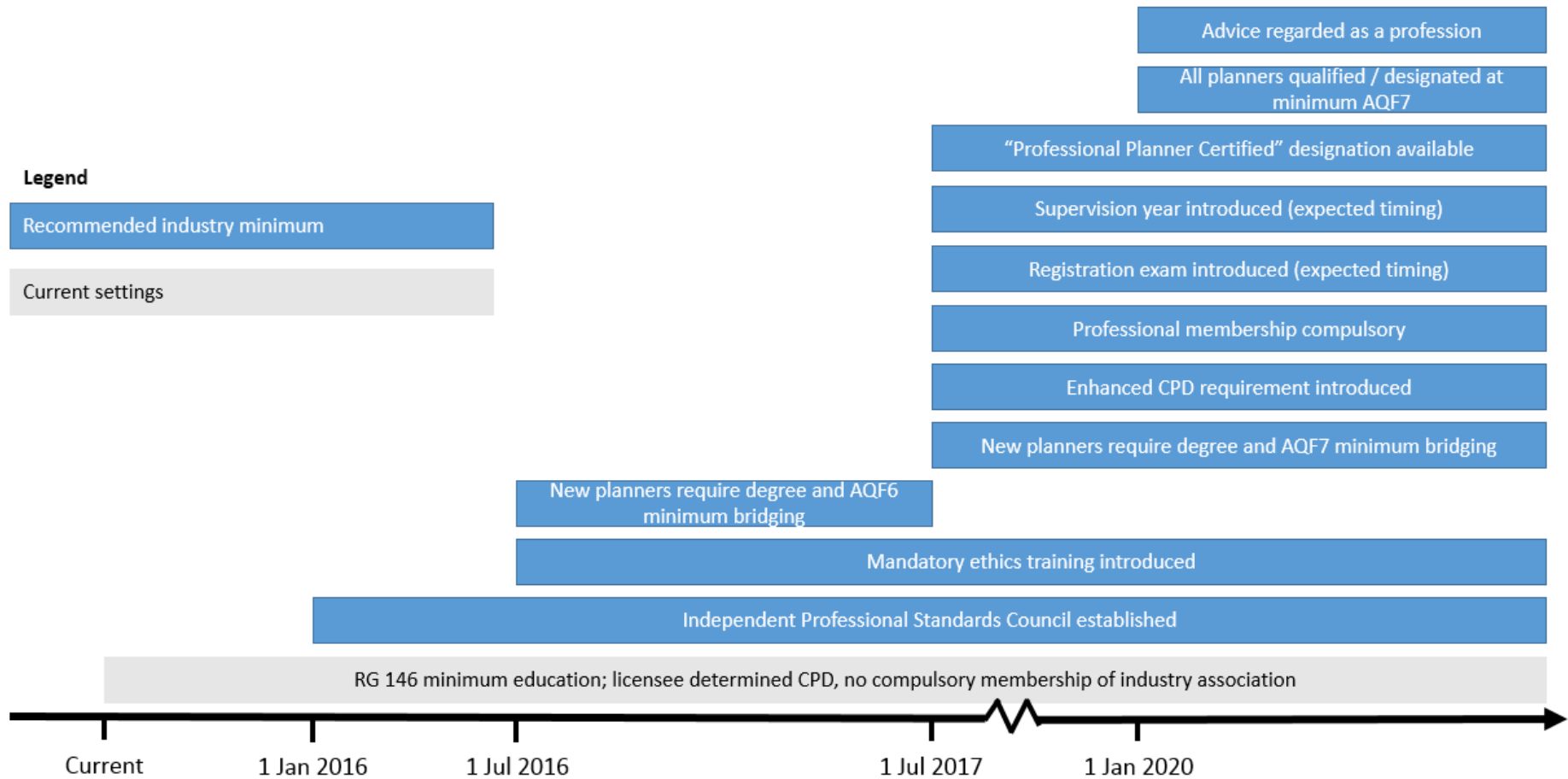
A Practicing Certificate can only be issued to a planner once they have completed the relevant minimum education requirements (including ongoing CPD), registration exam. As such, a practicing certificate would not generally be available to a sole trader who has set up their own business within 12 months of completing the registration exam (as they will not have completed their registration requirements). However, such a person may still be able to provide advice under an appropriate supervision model.

To give consumers confidence in the advice provided, a similar form of Practicing Certificate could be introduced for Licensees. To receive the certificate a Licensee would need to demonstrate that is has an appropriate supervision model in place and meets other requirements, such as dispute resolution procedures.

Where a planner is subject to disciplinary action, their personal Practicing Certificate should be revoked. This would be an incentive for planners to act in an appropriate manner. Note that this planner may not have demonstrated behaviour that would lead to their expulsion from a professional association and / or removal from the FAR.

We propose that approved professional associations administer and issue Practicing Certificates for planners on an annual basis (on behalf of the IPSC).

Appendix 2: Visual representation of new requirements



Appendix 3: Detailed responses to the specific Consultation Paper questions

Question	Section 1. Introduction	BTFG Comments
	<p><i>The introduction of the model recommended by the PJC would represent a substantial change to the current regulatory environment for financial advisers.</i></p>	
1.1	<p>What impact would the introduction of the PJC model have on the structure of the financial advice industry?</p>	<p>We support the intent of the PJC model to raise the professional, ethical and education standards in the financial services industry.</p> <p>However, we don't believe the PJC model as currently proposed will effectively achieve the overall objective of restoring consumer faith and trust in receiving financial advice. In order to achieve this, an appropriate balance needs to be struck between the timing of introducing higher standards and ensuring this is done in a clear, transparent and independent manner, whilst balancing this against the need to ensure it does not result in an increase in the cost of a consumer receiving financial advice.</p>
	<p><i>The PJC model would apply equally to advisers working in different size firms and under different licensee structures.</i></p>	
1.2		<p>Whichever model is implemented, the model must apply to all providers of financial advice. It must cover all licensees</p>

Question	Section 1. Introduction	BTFG Comments
	<p>What are the practical implications of the PJC model applying to advisers from all sizes and types of firms?</p>	<p>and planners in a consistent manner, so as to remove any potential arbitrage of one licensee / planner over another.</p> <p>Australians deserve to know that consistent standards and requirements apply to all licenses and planners who are making recommendations about their financial future.</p> <p>However, we do acknowledge that there may be some instances where different approaches can be applied for different licensees (for example in relation to supervision requirements – see our response to Question 3.4 below), and that this is important to ensure that the final model put in place does not unduly result in a reduction in the number of licensees or planners.</p>
	<p><i>Under the PJC model, ASIC, licensees, the PSC, FPEC and the professional associations will have a role in raising standards and ensuring these are met on an ongoing basis.</i></p>	
1.3	<p>Are the lines of responsibility clear under the PJC model?</p>	<p>The PJC model introduces complexity around who has what responsibility. However, complexity will likely exist in any model introduced. It is important that all parties involved in</p>

Question	Section 1. Introduction	BTFG Comments
		<p>the provision of financial advice have a role to play in raising standards and should not abdicate responsibility to someone else.</p> <p>Ultimately, we believe FPEC should have responsibility for determining and setting relevant minimum standards, and can then delegate to other parties for monitoring compliance to those standards.</p>

Question	Section 2. Key aspects of the current regulatory framework	BTFG Comments
	<p><i>Under the current regulatory arrangements, the legal obligation to ensure advisers meet the relevant training and competency standards falls on licensees. ASIC is responsible for ensuring that licensees comply with the conditions of their AFS licence.</i></p> <p><i>Under the PJC model, responsibility for meeting (and ensuring compliance with) training and competency standards is expanded to individual advisers and professional associations.</i></p>	
2.1	<p>What are the practical implications of this overlapping of responsibilities? Would this shift have flow-on implications for other provisions in the Corporations Act, or any other parts of the licensing regime?</p>	<p>We do not believe this potential overlapping of responsibilities should be of concern once there is consistency in methodology, for example in relation to continuing professional development (CPD).</p>
2.2	<p>Should licensees maintain a legal obligation to ensure advisers meet relevant training and competency standards?</p>	<p>From a structural perspective, a licensee is closest to a planner and is therefore in the best position to monitor their behaviour. Under the final model, there should be no diminution in the responsibility or requirements of licensees. Even if some of this responsibility were removed from a</p>

Question	Section 2. Key aspects of the current regulatory framework	BTFG Comments
		<p>licensee in a legal or regulatory respect, we would expect licensees to continue to undertake these requirements as they have a liability to the end consumer to ensure appropriate advice is being provided at all times.</p> <p>We believe that professional associations also have an important role to play in this regard. We expect that professional associations will provide a significant level of CPD activities for planners to complete, including in the area of ethics.</p> <p>Further, as part of BTFG’s 2020 Vision, we recommend that the professional associations have responsibility for issuing a Practicing Certificate to those planners who demonstrate compliance with various requirements, such as maintaining ongoing CPD activities. This provides an assessment of an adviser that is independent from their licensee and can give direct visibility to consumers that planners are meeting these new standards. This in turn should help lift consumer confidence in the advice they are receiving.</p>

Question	Section 3. Education and training standards of financial advisers	BTFG Comments
3.1	How would the PJC model interact with existing regulatory regimes for specific types of advisers, for example stockbrokers and tax advisers?	Where relevant, we support alignment between regulatory regimes. For example, the Tax Practitioners Board assesses CPD on a time basis (hours) rather than an arbitrary points basis. We support the CPD methodology for financial planners also being assessed on a time basis – refer our comments at Question 7.2.
	<i>Under the PJC model, financial advisers providing personal advice on Tier 1 products would be required to hold a relevant Bachelor Degree.</i>	
3.2 3.3	Is holding a relevant Bachelor Degree the appropriate minimum education requirement? What is a “relevant” Bachelor Degree? Would this requirement limit the ability of other degree-qualified individuals to become financial advisers? What are the practical implications of requiring advisers to hold a relevant Bachelor Degree?	As per our position in BTFG’s 2020 Vision, we support lifting the standards required for advisers who provide personal advice on Tier 1 products. However, as a general comment, we do not support the specific requirement of a relevant Bachelor Degree. We do believe it is appropriate that financial advisers undertake relevant studies at a specified level, but believe this level should be determined in accordance with the Australian Qualifications Framework (AQF).

Question	Section 3. Education and training standards of financial advisers	BTFG Comments
		<p>The AQF provides an independent method against which qualifications can be assessed. A Bachelor Degree equates to assessment at an AQF7 level. We agree that for new entrants qualification at an AQF7 level is necessary as it demonstrates the ability of an individual to learn and comprehend complex topics.</p> <p>However, requiring a relevant Bachelor Degree as the minimum education requirement has the potential to prevent appropriate people from choosing a career in financial planning. For example, under the licenses owned by BTFG, we have previously employed advisers with Degree qualifications in teaching and engineering who have proven to be successful financial planners. Teachers often exhibit an ability to have an empathetic relationship with their clients, whilst engineers often have an ability to deal to the complex financial products and markets and explain their relevance to clients. Excluding these professions (as examples) from being able to pursue a future career in financial planning result in a future shortage of available planners.</p> <p>We do, however, support lifting the specific financial planner knowledge requirements for these people beyond that currently contemplated under RG 146. As a result, until 31</p>

Question	Section 3. Education and training standards of financial advisers	BTFG Comments
		<p>December 2019, we support the new minimum requirements being a degree qualification (any degree, rather than relevant degree), but with this to be complemented by:</p> <ul style="list-style-type: none"> • A relevant financial planning bridging course at a minimum AQF6 level for those entering the industry between 1 July 2016 and 30 June 2017; and • A relevant financial planning bridging course at a minimum AQF7 level for those entering the industry between 1 July 2017 and 31 December 2019. <p>The AQF6 requirement for 12 months from 1 July 2016 can be met through existing courses, such as the Advanced Diploma of Financial Planning. Delaying the AQF7 requirement until 1 July 2017 should provide sufficient time for education providers to develop courses at the appropriate level.</p> <p>In addition the above, requiring an appropriate Bachelor Degree immediately also restricts the future pool of financial planners. Undergraduates today may be studying a degree that is not relevant, and to impose this new requirement immediately will either result in them choosing to pursue alternative occupations or needing to commence a new course of study, which will delay their time of entry to a</p>

Question	Section 3. Education and training standards of financial advisers	BTFG Comments
		<p>career in financial planning. Either option has the potential to further restrict the future pool of financial planners.</p> <p>Any changes that have the potential to restrict the pool of financial planners will likely lead to increased competition for that pool. Increased competition has the potential to lead to higher costs (eg salaries) and therefore increase in the cost of advice for the end consumer.</p> <p>As per BTFG's 2020 Vision, we support a new minimum standard across the industry applying from 1 January 2020, being a relevant qualification (or designation received and maintained) at a minimum AQF7 level.</p> <p>For new entrants between 1 July 2016 and 30 June 2017, this will provide a minimum of 2½ years for upgrading of relevant qualifications (if necessary) to this new level. Entrants from 1 July 2017 will already need to have met this requirement.</p> <p>This also provides an appropriate transition period for existing advisers to, where necessary, to undertake relevant education to meet the new minimum standard. We believe existing advisers should be required to meet this new standard and not be able to rely upon any grandfathering.</p>

Question	Section 3. Education and training standards of financial advisers	BTFG Comments
		<p>However, we do believe that it is appropriate to recognise studies that have resulted in a professional designations where those studies have been undertaken at a level at least at AQF7. In this regard, we believe that advisers who have been awarded one of the following designations (and have maintained all relevant CPD obligations since receiving that designation) should also be deemed to meet the 1 January 2020 requirement:</p> <ul style="list-style-type: none"> • Certified Financial Planner (via the Financial Planning Association) • Fellow Chartered Financial Practitioner (via the Association of Financial Advisers) <p>Ultimately, we believe it would be the responsibility of the new FPEC to determine (or set the guidelines for) the relevant qualifications and designations that meet the new minimum education standards.</p>
	<p><i>Under the PJC model, financial advisers providing personal advice on Tier 1 products would be required to undertake a professional year and ongoing professional development.</i></p>	

Question	Section 3. Education and training standards of financial advisers	BTFG Comments
3.4	<p>What are the practical implications of requiring new advisers to undertake a structured professional year at the outset of their careers as financial advisers, as a way to develop on-the-job skills?</p>	<p>We support the concept of an initial 12 month supervision period for new advisers. However, we believe careful consideration needs to be given to how it would operate in practice.</p> <p>In order for appropriate on-the-job training to occur, the adviser needs to undertake tasks relevant to the provision of advice. We believe this includes meeting with customers and providing advice (including being the signatory to the advice). In order for this to occur, the person needs to be authorised to provide advice and therefore needs to be named on the FAR. It is therefore our recommendation that a new adviser be listed on the FAR before the year of supervision commences. See further our comments at Question 5.3.</p> <p>As a general concept, the operation of the supervision year should be preventative in nature – that is, to assess the quality of the advice before it is provided to a consumer. It should not be operate as a detective control to review advice after the fact. However, further investigation of an appropriate supervision model where advice is provided in real time, such as through phone based advice, or the emergence of new advice models such as robo-advice.</p>

Question	Section 3. Education and training standards of financial advisers	BTFG Comments
		<p>It is also important to understand the potential impact a supervision year requirement may have on the industry as a whole. Large financial institutions would be well-placed to implement a supervision model for their salaried financial planners. However, in a non-salaried model, the implementation of a supervision framework may be difficult due to resource constraints or implementation costs. This has the potential to drive all new entrants to a large financial institution for the period of the supervision year, and conversely could restrict the ability of non-salaried advice businesses to attract or grow new advisers from within their existing business.</p> <p>In addition, there is the potential for a large exodus of new entrants from the larger institutions at the completion of the supervision year. This would increase the cost for these institutions as they would need to recruit new planners to replace those who exit. It may also lead consumers to conclude that the large institutions are a training ground for new inexperienced advisers, and that they should go to other advice businesses if they wish to engage an experienced adviser.</p>

Question	Section 3. Education and training standards of financial advisers	BTFG Comments
		Without careful consideration of the appropriate model, a supervision year could result in an increased cost of advice for the end customer.

Question	Section 4. Structure and role of a standard-setting body	BTFG Comments
	<p><i>The PJC model would establish an independent FPEC as the central body to set education standards, professional year requirements, registration exam content and ongoing professional development requirements.</i></p> <p><i>Under the PJC's recommendations, FPEC would be funded by approved professional associations and would comprise representatives from those associations, academics, consumer advocates and an ethicist.</i></p>	
4.1	<p>What are the practical implications of FPEC performing this role? For example:</p> <ul style="list-style-type: none"> • how would FPEC interact with regulators and government agencies, such as ASIC, and education bodies? • would FPEC need to be supported by legislation in order to perform its role? • is the recommended FPEC membership appropriate? 	As per BTFG's 2020 Vision, we support the establishment of a new independent statutory body with a clear mandate to set and govern professional, ethical and education standards for the financial advisers.
4.2	Are there alternative arrangements that would be more appropriate or effective?	We believe that the independent body needs to be independent in form and substance. In this regard, we do

Question	Section 4. Structure and role of a standard-setting body	BTFG Comments
		<p>not support the PJC recommendation that anybody approved as a professional association would automatically be entitled to a position on the Board of this body. This may give the industry a dominant presence on the Board and detract from its independence.</p> <p>The Board could be supplemented by a number of Committees to inform and provide recommendations to the Board to help fulfil its mandate. Membership of those committees could be drawn from advisers, licensees, professional associations, consumer groups, regulators etc.</p> <p>We would be pleased to meet with Treasury to provide further information on possible governance structures for this Board.</p>

Question	Section 5. Registration	BTFG Comments
	<i>Under the PJC model, individuals must be listed on the Register in order to practice.</i>	
5.1	What are the practical implications of requiring individuals to be registered in order to provide financial advice?	We support the requirement that advisers be listed on the Register before being able to provide financial advice.
5.2	Should it be the role of professional associations to notify ASIC that all requirements have been met for an adviser's registration, and of factors which affect their subsequent fitness for registration?	<p>Information to enable registration should be provided to ASIC by those who hold the relevant information. For example, licensees should provide current work information (noting that ASIC will ultimately hold any historical information over time) and relevant qualifications. Licensees can also provide details of any specialist advice areas where the adviser is authorised to provide advice, as these will be determined at a licensee level.</p> <p>Professional associations should provide membership details to ASIC for noting on the Register as well as, where relevant, any disciplinary action taken.</p>
	<i>The PJC recommends that, in addition to the information currently required to be listed on the</i>	

Question	Section 5. Registration	BTFG Comments
	<p><i>Register, an adviser's completion of the relevant education requirements, professional year and registration exam, and their professional association membership, higher qualifications and any censure or ASIC action, also be listed.</i></p>	
<p>5.3 5.4</p>	<p>What are the practical implications of having these criteria listed on a public adviser register?</p> <p>Are there alternative or additional criteria that should be listed on the Register?</p>	<p>We believe the Register should allow provisional registration for new entrants to the industry who are undertaking their supervision year. This would allow them to meet the requirements to provide personal financial advice and provide consumers with information that the person they are dealing with is still subject to a supervision period.</p>
	<p><i>The current Register requires licensees to provide information to ASIC about individual advisers. Under the PJC model this responsibility would be shifted to professional associations.</i></p>	
<p>5.5</p>	<p>What are the practical implications of having professional associations perform this role? For example, are professional associations sufficiently resourced and how would they interact with ASIC in</p>	<p>As per our response to Question 5.2, we believe the requirement to provide information to ASIC should be shared between licensees and the professional associations.</p>

Question	Section 5. Registration	BTFG Comments
	relation to these requirements? Does this approach dilute the responsibility of licensees?	
5.6	Is legislative protection of the titles 'financial adviser' and 'financial planner' necessary?	We support the protection of this term via legislation so only advisers meeting all the requirements and on the Register can call themselves an adviser.

Question	Section 6. Exam	BTFG Comments
	<p><i>The PJC model introduces a registration exam at the end of the structured year of professional development.</i></p>	
<p>6.1</p> <p>6.2</p> <p>6.3</p>	<p>Do you consider a registration exam should be a component of a framework to improve professional standards? Should the exam apply to both existing and new advisers?</p> <p>What are the practical implications of the use of a registration exam?</p> <p>What content should be covered in the exam?</p>	<p>We support the introduction of a registration exam that applies to all new advisers post its introduction. The exam should be completed prior to being listed on the Register, and therefore is completed prior to commencement of a supervision year.</p> <p>We also support the application of the same registration exam to advisers already on the FAR at the time of the exam becoming available, with the exam to be completed within 12 months.</p> <p>The exam should cover relevant technical and regulatory matters that relate to the provision of financial advice and should cover items that are objective in nature. Careful consideration should be given to the value of including any ethical assessment in the exam as it can be subjective in nature.</p>

Question	Section 6. Exam	BTFG Comments
6.4	<p>Is FPEC the appropriate body to set the exam? Who should be responsible for invigilating the exam?</p> <p>Who should be responsible for marking the exams?</p>	<p>We believe FPEC should have the appropriate mandate to determine what the exam covers and engage relevant experts to set such an exam. It may then be appropriate for the exam to be administered by ASIC as the relevant regulator, given the exam is a precursor to being listed on the register.</p>

Question	Section 7. Ongoing professional development	BTFG Comments
	<i>The PJC model requires mandatory ongoing professional development for financial advisers.</i>	
7.1	What are the practical implications of the proposed ongoing professional development requirements?	<p>As stated in BTFG’s 2020 Vision, we support compulsory ongoing professional development activities for all financial advisers at a minimum of 40 CPD hours per annum. In order to achieve this, independent body should be tasked with the responsibility to determine what qualifies as acceptable CPD activity at an AQF 7 level.</p> <p>By implementing this recommendation, the current inconsistencies in the following areas can be addressed:</p> <ul style="list-style-type: none"> • Whether CPD should be assessed in points or hours • Different associations will assess the same activity in a different manner or award different levels of points • Different associations and licenses will only recognise CPD activities provided by some organisations (due to differences in methodology) • There is no consistency in the level of ongoing CPD required.
7.2	Are professional associations well-placed to administer ongoing professional development requirements?	We believe the professional associations are best placed to administer this assessment process.

Question	Section 8. Professional and ethical standards	BTFG Comments
	<p><i>The PJC recommended that professional associations be required to establish codes of ethics that are approved by the PSC.</i></p>	
<p>8.1</p> <p>8.2</p>	<p>What are the practical implications of having each professional association create its own code of ethics? For example, what are the implications of having multiple codes as opposed to a single code?</p> <p>What are the practical implications of requiring that a code of ethics be approved by the PSC? Are there alternative approaches that would be more appropriate or effective?</p>	<p>We believe that it is possible for each association to have its own code of ethics, as this is relevant to the purpose of that association. However, in order to be an approved professional association, the code of ethics must contain certain core requirements which would be consistent across all associations.</p> <p>We believe that FPEC, in consultation with the PSC, should determine what these core requirements are. By taking this approach, there is no requirement for any separate code of ethics to be considered by the PSC. Rather FPEC can review an association’s code to determine if it meet the core requirements.</p> <p>This approach should also reduce the time and cost for relevant codes to be developed and approved, and ensure consistency. As a result, the industry can collectively promote the relevant core code components to consumers</p>

Question	Section 8. Professional and ethical standards	BTFG Comments
		to ensure a consistent understanding of what financial planners must, at a minimum, adhere to.
	<p><i>The PJC model uses the PSC as a key mechanism to drive continuing improvements in the professional standards of the financial advice industry. Under the PJC model, a professional association will need to have schemes approved by the PSC in order for its members to be registered as financial advisers, and for the association to be a member of FPEC.</i></p>	
<p>8.3</p> <p>8.4</p> <p>8.5</p>	<p>Is the PSC the appropriate body to drive improvements in professional standards in this industry? Are there alternative arrangements that would be more appropriate or effective?</p> <p>What are the practical implications of having the PSC perform this role? For example, how would the PSC interact with ASIC?</p> <p>What are the practical implications of requiring professional associations to hold a PSC approved scheme?</p>	<p>Refer to our response to Question 8.1 and 8.2.</p>

Question	Section 8. Professional and ethical standards	BTFG Comments
	<i>Approval of a scheme under the PSC has previously meant capped liability for participants.</i>	
8.6 8.7 8.8 8.9	<p>Is it appropriate that liability in relation to financial advice/services be limited at this time? Is limitation of liability a necessary element for the operation of the PJC model?</p> <p>What are the practical implications of capping liability? For example, what changes to Commonwealth and/or state and territory legislation would be required?</p> <p>Would an alternative arrangement, under which a scheme's approval would not limit liability, be practicable?</p> <p>What are the practical implications of mandating membership of a professional association? Are there implications arising from the increased responsibility on professional associations rather than on the licensee?</p>	<p>We do not support the limitation of liability in relation to poor financial advice. If a consumer has received poor financial advice, they should be restored to the position they would have been in if they had received quality advice at the time.</p>

Question	Section 9. Other issues for consideration	BTFG Comments
9.1	How could the PJC model interact with the existing Tier 2 adviser training and competency requirements?	We believe the final model that is implemented should cover Tier 1 and Tier 2 advice. Whilst the underlying requirements may differ, there should be one body responsible for determining the minimum professional, ethical and education requirements for the provision of any form of financial advice.
9.2	Do you consider FPEC to be the best entity to determine transitional arrangements for existing advisers and advisers wishing to move within the industry?	We support the establishment of a co-regulatory approach, with an independent body to provide this oversight.
9.3	Do you consider Recognised Prior Learning a suitable transitional arrangement for existing advisers?	We believe a consistent minimum requirement should apply to all providers of financial advice. As per BTFG's 2020 Vision, we believe this should be a qualification or designation achieved at a minimum AQF7 level and should apply from 1 January 2020.
9.4	What is an appropriate timeframe over which existing advisers should transition to the new system?	
9.5	Are there any alternative transitional arrangements that would be more appropriate or effective, for either new or existing advisers?	We believe a transitional arrangement for minimum education requirements should apply until 31 December 2019. However, we believe other measures, such as

Question	Section 9. Other issues for consideration	BTFG Comments
		enhancements to ongoing CPD and a registration exam should be implemented earlier where possible.
	<p><i>The PJC recommended an implementation timeline that would see FPEC establish education standards by June 2016, professional associations operating under a PSC approved scheme by 1 January 2017 and all advisers (new and existing) to be fully registered by 1 January 2019.</i></p>	
<p>9.6</p> <p>9.7</p>	<p>Are there any particular elements of the PJC model that present timing challenges?</p> <p>What timing or phasing would most effectively balance the recognised need to raise standards and competency in the short-term against practicalities of implementing a new model to raise standards of new and existing advisers over the longer term?</p>	<p>Refer to BTFG’s 2020 Vision for our view in the appropriate timeline for implementation of these reforms.</p>