

16 September 2022

Assistant Secretary  
Advice and Investment Branch  
The Treasury  
Langton Crescent  
PARKES ACT 2600  
Via email: [FinancialAdvice@treasury.gov.au](mailto:FinancialAdvice@treasury.gov.au)

**RE: Submission on Financial adviser education standards Consultation paper - August 2022**

Dear Sir/Madam,

**1. Introduction**

Grain Trade Australia (GTA) welcomes an opportunity to provide feedback on the Government's Consultation Paper "Submission on Financial adviser education standards" published in August 2022. GTA has also recently provided feedback on:

1. The Quality of Advice Review Issues Paper ([Link: here](#))
2. The draft Terms of Reference for the Government's *Review of the Quality of Financial Advice to consider how the regulatory framework could better enable the provision of high quality, accessible and affordable financial advice for retail investors*; ([Link: here](#)) and
3. The Government's Policy Paper "*Education Standards for Financial Advisors*" published in December 2021 ([Link: here](#)).

GTA is supportive in principle to a regulatory approach that is relevant to the context, has simplicity in its design, understanding and subsequent application. This approach will minimise the cost burden on business to avoid cost increases to consumers and minimise distortion in business efficiency and serve the desired outcomes of having good quality advice that is accessible to consumers (grain producers and consumers). We believe this can be achieved within a framework of sound ethics and practical regulation.

**2.0 About GTA**

Grain Trade Australia (GTA) is a national member association and is the focal point for the commercial grain industry within Australia.

GTA has over 270 organisations as members. Their businesses range from regional family businesses to large national and international trading/storage and handling companies who are involved in grain trading activities, grain storage, grain marketing advisory services, processing grain for human consumption and stock feed milling. GTA Members are substantial employers, from the farm gate through to end point consumption, and notably in rural and regional Australia. A full list of GTA Members can be found [here](#).

GTA's core focus is to 'facilitate trade' in the Australian grain industry. Its products and services, including the Australia Grain Industry Code of Practice, provides a self-regulatory framework across the grain industry to facilitate and promote the trade of grain within the Australian grain value chain.

A key segment within this industry framework is GTA members who provide commodity marketing & price risk management services (advisory services) to Australian grain producers.

## 2. The role of Commodity Marketing & Advisory Services

GTA members who provide advisory services provide grain producers with the information and advice needed to make informed decisions on their commodity marketing and commodity price risk management. This includes:

1. Commodity (grain) market analysis and price discovery,
2. Brokerage of physical grain,
3. Use of price risk management tools (derivatives like Swaps, Futures, Options),
4. Hedging foreign exchange (either a part of a derivative or for cash flow purposes), and
5. Grain sale and contract optimisation.

A grain marketing advisor with an AFSL provides advice specifically to help a grain producer manage their price risk in relation to the particular commodity using specific financial products. The advisor in this case is not providing holistic plans in relation to a producers' broader investment needs (superannuation, insurance etc) but **scoped, focussed advice related to commodity price risk** – which is usually a specific condition under their AFSL.

So, for a grain grower it is not an investment decision but more a transactional decision to manage grain price risk. This means the role, expertise and skill sets of a commodity marketing advisor is very distinctive from a financial planner and therefore from the “one size fits all” approach that has been adopted by FASEA. The FASEA model assumes all financial service providers require the skillsets, experience, and qualifications of a financial planner.

## 3. GTA Comments on the Consultation Paper

In terms of the reform proposals on Financial Advisor Education discussed in the Consultation paper, we would like to offer the following comments:

- We support the proposal to remove tertiary education requirements for financial advisers who have passed the exam, have 10 years' experience and a clean record of financial advice practice. In our view this is a practical approach to policy.
- We believe that other relevant experience, such as trading or risk management in relevant (eg grain) markets should be also considered as relevant, rather than only advising experience. It is this broader type of experience that can help advisors develop a deeper understanding of the relevant markets and risks, and therefore provide better quality advice to their clients. Such experience would be more relevant in a grain context than an advisor who had previous experience in say insurance or equities. We would suggest a practical solution to this would be to allow licensee's to determine what experience they consider relevant to their business and clients.
- We are very concerned with the proposed cut-off date for the experienced pathway at 1 January 2019. We believe this should be extended to 30th June 2022 (at least) or to date closer to the implementation of the reforms, as it would in effect mean a current experienced advisor would require at least 13 years' experience (ie not 10 years), and noting that from a grains perspective, the volatility in the grain markets from Covid-19 and Russian invasion of Ukraine has been unprecedented, and provide significant experience to grain industry advisors during these times.
- Further, we would not support any suggestions or proposals that may consider an expiry date after which experienced pathway advisors, would then be required to undertake tertiary study. This would simply move the 2026 FASEA deadline to a later date, making the intended purpose and outcomes of the experienced pathway meaningless and redundant.
- We believe the current proposals, have not moved significantly from the failed “one size fits all” approach for FASEA. The proposed reforms still fails to adequately recognise the

diversity of sectors and client risks within “financial services”, and assumes or in fact dictates that anyone providing any sort financial advice, must be trained as a financial planner, despite the relevance to the clients situation and the end objective of providing good quality advice to the client.

- It is clear in our view, the scope of approved tertiary degrees remains too narrow and in many instances irrelevant to providing grain price risk and marketing/financial advice. In our view the core knowledge areas should be contextualised for the relevant sector (eg financial planning, insurance, stock broking, agricultural price risk management) and include a broader range of knowledge areas such as commodity derivatives, foreign exchange and degrees such as commerce, economics, agri-business, agricultural science, agricultural economics and agricultural marketing. All these degrees have more relevance to providing financial advice in agricultural markets.
- Foreign tertiary training/degrees should be recognised on an equivalence level as per the current government process and body.
- In terms of the Exam, it would still seem to adopt a “one size fits all” approach that is not contextualised or fit for purpose. We would suggest that the Exam be made more relevant to an advisor’s situation, and that there could be choices of different scenarios included in the exam.
- In considering advisor misconduct, we would suggest the focus should be on dishonest, misleading and deceptive unethical conduct rather than minor breaches of a technical or administrative nature. We recognise that multiple instances of minor breaches could be addressed with the advisor/licensee.
- We remained concerned with the proposed requirement for an advisor to complete 40 hours of CPD per year including a prescribed breakdown of minimum hours to be spent in various areas. For example, the hours required on professionalism and ethics (seemingly every year) should be proportionate against other areas such as technical competence. We support CPD however believe there should be flexibility to customise to the specific needs, and circumstances of the industry the advisors and any AFSL restrictions.
- We do not support mandating a formal professional year, as it presents another cost barrier for business and/or new entrants (who will have already passed a recognised degree) into industry. As noted earlier, we suggest specialisation and training requirements should be aligned with AFSL conditions and can be addressed through practical experience and tailored contextualised professional development.

GTA would welcome the opportunity to further engage directly with Government to increase the understanding of the type of financial advice our members provide and to provide input into the consultation and reform process.

Please do not hesitate to contact GTA on this or any other relevant matters.

Yours faithfully,

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