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Advice and Investment Branch  
The Treasury  
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Dear Assistant Secretary,

I acknowledge the work done by both sides of Government over the last ten years to engage with the industry, consumer groups and education providers in pursuit of higher standards of financial advice.

I welcome the opportunity to provide input into Treasury's 'Financial adviser Standards' consultation paper (the Consultation Paper). My main comments relate to the proposed core knowledge areas and the proposal of education providers to self-declare.

### **Core knowledge areas**

While the current Financial Adviser Standards and Ethics Authority (FASEA) standards cover all the core skills and knowledge necessary to be a competent and ethical financial planner, the legislated minimum education standards cover all financial advisers<sup>1</sup>, not just financial planners. Consequently, the FASEA standards' curriculum details require more in-depth knowledge than is necessary for all financial advisers.

While I do not agree with the precise makeup of the 'streamlined core knowledge areas' outlined in the Consultation Paper, the approach provides a sensible two-tiered framework to minimum standards by mandating areas of knowledge common to all financial advisers within a degree while allowing students the flexibility to undertake more in-depth study in specific areas of interest.

### **Self-declaration**

It is not appropriate for universities to self-accredit. However, accreditation should not be the Government's responsibility and could be carried out by an appropriate professional association (or alliance of associations) more effectively and efficiently. Thus, while all providers of retail advice would have to complete the streamlined core knowledge areas (whatever they might be), professional associations would be free to apply a higher standard as appropriate to their membership.

I would welcome the opportunity to discuss any matters concerning QUT's submission. [REDACTED]

Yours faithfully,

[REDACTED]

[REDACTED]

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<sup>1</sup> The term 'financial advisers' here is understood to include other professionals to whom the minimum education standards apply.

### **Adviser Education Standards**

1. The first meaningful step towards mandating minimum education standards for advisers was the Howard Government's introduction of Regulatory Guide 146 (RG146; then Policy Statement 146).
2. The Government introduced RG146 as part of the *Financial Services Reform Act 2001 (FSR Act)* in response to the Wallis Inquiry's (1997) finding that the educational requirements for financial advisers were insufficient.
3. Since the introduction of RG146, the '*Parliamentary Joint Committee on Corporations and Financial Services*' (Ripoll Report) and the '*Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry*' (Hayne Report) have both found that even the RG146 education requirements are insufficient.

### **Financial Advice as a Profession**

4. According to the Australian Council of Professions, a professional is someone "*possessing special knowledge and skills in a widely recognised body of learning derived from research, education and training at a high level*".
5. That the professionalisation of financial advice is desirable has been the position of both major parties since at least the Ripoll Report.
6. The last three ministers responsible for the sector, The Hon Kelly O'Dwyer, The Hon Senator Jane Hume, and the Hon Stephen Jones have all acknowledged the benefits and desirability of financial advice becoming a profession.
7. Moreover, the Hayne Report stated that "*making financial advice a profession is important not merely for its own sake. It is a necessary step to protect those who seek financial advice*".
8. In February 2017, the Coalition Government announced higher education standards for advisers "*to govern the professional standing of the financial advice sector*" (<https://ministers.treasury.gov.au/ministers/kelly-odwyer-2016/media-releases/higher-standards-financial-advisers-commence>).
9. The Hayne Report acknowledged the importance of higher education standards, among other things, as representing a "*further important step towards making financial advice a profession*".
10. As Minister Jones noted, "*There are some obvious areas we can look at for specialisation and recognition of appropriate qualifications. There is a broad base of knowledge that is needed across all the qualifications. That would be the core, but there are specialisations within.*"
11. By streamlining the core knowledge areas to those that are common to all advisers, students have the flexibility to then develop specialist knowledge and skills in their area of interest.

### **Appropriate Qualifications**

12. Sectors of the financial advice industry have pointed out that the existing FASEA Core Knowledge Areas include content unnecessary for advisers in more specialist areas such as stockbroking, commodities trading and foreign exchange, among others.
13. The claim that the current FASEA Core Knowledge Areas are too extensive and too prescriptive is valid and reasonable.
14. For example, an aspiring stockbroker should be provided with the flexibility to specialise in investment advice with a sufficient general understanding of other relevant knowledge areas.

## **Possible Solutions**

15. The curriculum detail for each knowledge area should be streamlined to include only the content that is necessary for **all** financial advisers. For example, while all advisers should have a general understanding of superannuation, it is not necessary for advisers who do not give superannuation advice to cover it to the extent prescribed by the existing standards.
16. Advisers wishing to advise on areas not part of the streamlined core knowledge requirement (insurance, estate planning, direct equities, SMSFs<sup>2</sup> etc.) might then attain the relevant specialist knowledge via further study, as part of their undergraduate degree or via post-graduate study.
17. Alternatively, advisers might acquire specialist knowledge via other studies such as a post-graduate qualification, a specialist certification, accreditation by a professional association, or through work-based training.
18. Existing programs include the Certified Financial Analyst program, the FPA's Certified Financial Planner program, the SMSF Association's specialist accreditations, and certifications offered by education providers on derivatives, margin lending and other areas among others.
19. For example, students who wish to become financial planners (assuming the professional associations mandated minimum standards that required more extensive knowledge) would then have to undertake a financial planning degree accredited by an appropriate body, as is currently the case.
20. Similarly, a student interested in becoming a stockbroker would complete the minimum legislated standard as part of an appropriately accredited degree and more in-depth study in areas more appropriate to stockbroking, also potentially accredited by an appropriate body.
21. On the premise that the current education standards are too extensive and too prescriptive, I recommend that the Government forms a committee (the Committee) to review the existing FASEA Body of Knowledge.
22. The Committee should consist of representatives from education, industry, and government.
23. The Committee's objective would be to identify core competencies new entrants must achieve before becoming financial advisers, recognising, and accounting for the diverse nature of financial advice.
24. Such an approach would ensure appropriate consultation, avoiding the need for further rounds of consultation and allowing the government to develop decisive, informed policy with confidence.

## **Accreditation**

25. It is not appropriate for universities to self-accredit.
26. Responsibility for monitoring accreditation might be handed to the Financial Planning Education Council (FPEC) in much the same way as other professional associations monitor accreditation of tertiary qualifications.
27. Because of the AFSL (Australian Financial Services Licence) regime, accreditation and monitoring of tertiary qualifications cannot fall to one association. However, a single, central governing body would ensure a fair, transparent, and knowledgeable process.
28. As the driving force behind FPEC, the Financial Planning Association (FPA) noted in a previous Treasury submission that "*FPEC has appropriate expert skills, experience and knowledge in the financial advice and education fields and can play a significant role in providing the necessary analysis, expertise, and advice*".

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<sup>2</sup> Self-managed superannuation funds

29. If the existing core knowledge areas are streamlined, a two-tier accreditation process should be encouraged. The first tier would accredit the legislated minimum education standards with the second-tier accrediting education standards for specialisations.
30. For example, the Financial Planning Association (FPA) might conclude that the minimum education standards for financial planners should address more than the legislated minimum education standards and accredit qualifications accordingly.

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