



3 May 2023

Advice and Investment Branch
Retirement, Advice and Investment Division
The Treasury
Langton Crescent
PARKES ACT 2600

Delivered via email – financialadvice@treasury.gov.au

Dear Sir/Madam

Education standards for experienced financial advisers and technical fixes for new entrants (“Exposure Draft”)

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to provide feedback on the exposure draft bill and explanatory memorandum.

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 135,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live.

Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training. Further details about our organisation are provided at the back of this submission.

CA ANZ has long advocated for industry reform to ensure that more consumers are able to access high quality, ethical and professional financial advice.

On balance CA ANZ has major reservations about the transitional arrangements for experienced providers (Part 1) and addressing known issues for new entrants (Part 2) and would like to see some important amendments to them.

We are fully supportive of the policy to address known issues for qualified tax relevant providers (Part 3) however we request that its commencement date be specifically altered to 1 January 2022 because this is the date when related changes made by the *Financial Sector Reform (Hayne Royal Commission Response—Better Advice) Act 2021* commenced.

Further details are provided in Appendix A to this submission.

Please contact Tony Negline with any queries on this submission or to organise a time to discuss in greater detail. He can be contacted on +612 8078 5404 or reached via email at tony.negline@charteredaccountantsanz.com.

Yours Sincerely,

Simon Grant FCA
Group Executive, Advocacy & International

Tony Negline
**Superannuation and Financial Services
Leader**

Appendix A

Following is our response to the Exposure Draft.

Part 1 – Transitional arrangements for experienced providers

Not only do non-tertiary qualified practitioners need an experienced pathway, but all practitioners who have lengthy appropriate experience should also be considered.

The lack of recognition of our professional Chartered Accountant qualification (CA qualification) must be addressed. Any amendments made for existing practitioners with experience should address the industry-wide problem we face that many experienced practitioners will leave the industry between now and 1 January 2026 when the new education requirements are due to commence.

We do not believe the proposed window for determining 10 years' experience is an adequate timeframe. CA ANZ supports experienced practitioners from accountancy and other fields of study remaining in the industry if they have significant experience and:

- have 20 out of the past 25 years of relevant industry experience
- can demonstrate competencies in relation to their area of advice
- have completed significant levels of study – preferably at Bachelor's (AQF7) degree level, not necessarily matched to financial planning competencies if they do not practice in traditional financial planning
- are bound by a strict industry related Code of Ethics that is enforced
- complete at least 30 hours of relevant CPD per annum.

Whilst we acknowledge the Government's election commitment to remove tertiary education requirements for financial advisers who have passed the exam, have 10 years' experience and a clean record of financial practice, we believe this will be detrimental to the professionalisation of the financial advice industry.

In order to ensure consumers are adequately protected the proposed experience pathway requires amendment.

As an industry, the financial advice sector has been through enormous regulatory change over more than 25 years.

We therefore believe that any recognition via an 'experienced adviser pathway' should include a significant number of years of experience (20+), so that practitioners qualifying via this pathway have seen the changes as and when they have occurred, thus making up for their 'lack' of 'related fields of study' at tertiary level.

Further experience must be relevant to the role of the adviser and the profession in which they serve, not just relevant to the role of a traditional financial planner.

We also believe the relevant experience should be benchmarked against certain competencies, with input relating to the requisite competencies being developed by a diverse group possibly including government representatives, professional member associations, industry participants as well as education providers – not just education providers as has appeared to be the case for the benchmarking of existing FASEA competency standards in education and the recognition of prior learning (RPL).

Clean record

As stated in our previous submission about this issue we believe a 'clean record' should include:

- no disciplinary actions recorded on the Financial Adviser Register (FAR),
- never been suspended or banned from being licensed to provide financial advice to a retail client for any period,
- no material complaint resulting in client suffering financial detriment with the Australian Financial Complaints Authority (AFCA),
- no disciplinary action taken by a relevant professional association, if applicable.

We believe for consumer protection any adviser benefiting from this experienced pathway must also be a voting member of a non-profit association of a body that has:

- Code of Ethics / Conduct / Professional Standards
- Mandatory CPD obligations
- A complaints / disciplinary system
- A Quality Review system
- Remained a member to maintain eligibility under this pathway.

Or alternatively, if not a member, we believe the adviser must complete an approved ethics subject by 1 January 2026. This cannot be solved by simply satisfying relevant Continuing Professional Development requirements¹.

If this is not accepted then we request that Chartered Accountants who have already completed an ethics subject as part of our CA qualification should be exempt from the need to complete a similar subject under the current relevant financial advice legislative instrument. Similarly they should not have to sit the ASIC exam.

Transitional arrangements sunset

A financial adviser experienced pathway should cease to be available for any financial adviser after December 2031. That is, after this date formal educational requirements will have to be satisfied for a person to remain as a financial adviser.

Future misconduct

Advisers who satisfy the experienced pathway should face normal ASIC and Financial Services and Credit Panel (FSCP) disciplinary procedures for future misconduct. However ASIC or the FSCP should have the ability to require experience pathway advisers to complete additional studies.

¹ <https://fas.treasury.gov.au/other-standards/continuing-professional-development>

Part 2 – Addressing known issues for new entrants

It is our understanding that the government does not intend to implement the concept of ‘core’ and ‘elective’ subjects as outlined in the 2022 Treasury consultation paper².

We consider this to be a missed opportunity to allow some much needed flexibility.

CA ANZ undertakes a rigorous process to ascertain the academic criteria by which entrants can enrol into the Chartered Accountant program having completed an accredited appropriate course at AQF 7 which matches, subject by subject, the CA ANZ entry requirements. The CA qualification is a post graduate course at AQF 8 level.

In the same vein any new entrant to financial advice should have to satisfy suitably stringent criteria at AQF 7 level at a subject by subject level.

We acknowledge much work has been done by AFSLs to map future study requirements for their representatives to complete financial advice studies to satisfy current entry level requirement and support those advisers and AFSLs to continue the pathways prescribed for them.

However, the educational mapping criteria has been primarily done against Financial Planning Education Council (FPEC) standards. These standards do not represent all facets of the financial advice landscape and do not suit all professionals who wish to practice under an AFSL – limited or full.

The financial advice profession needs to enable students from other courses at AQF 7 levels. This can only be done via the ‘core’ and ‘elective’ subjects approach.

Professionals in financial advice come from many varied background qualifications, and in the future, this must be encouraged.

In order to do so, professional associations should be encouraged to make clear their required subjects, so that entrants to their professional programs are clear about the subjects and /or competencies required to go down that pathway.

We must enable certainty at our earliest opportunity by making the ‘core’ units varied but broad in their knowledge areas, and we must make the number of ‘electives’ numerous, transparent and informative, so that new entrants can satisfy entry requirements to a profession of choice with as much information available as possible.

As with any area of expertise changes to subjects, competencies and knowledge level requirements must occur over time.

A self-regulating body should be established to determine core and elective subjects. As we have enunciated in previous submissions this body should have the following responsibilities:

- Only associations eligible for the experienced pathway could be a member
- They should be responsible for setting core and elective units – including curriculum, quantum and approved assessment methods
- They would be responsible for accrediting universities – noting this could be courses, qualifications, and subjects to provide flexibility to education providers and potential new entrants.

AFS Licensees should not be able to evaluate a new entrant’s completed tertiary courses against the new core knowledge areas to assess whether they have met the education standard or what additional study may be required.

² <https://treasury.gov.au/consultation/c2022-306020>

Part 3 – Addressing known issues for qualified tax relevant providers

CA ANZ welcomes these necessary amendments and thank the government for seeking to make them after CA ANZ, CPA Australia, FPA, IPA and SMSFA wrote to the Assistant Treasurer pointing out our concerns with the existing law.

We request however that this amendment commence on 1 January 2022 which is the same date when related changes made by the *Financial Sector Reform (Hayne Royal Commission Response—Better Advice) Act 2021* commenced. This is to ensure regulatory consistency and avoid any unintended consequences.

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 135,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live.

Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 13 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.