



INSTITUTE OF
**PUBLIC
ACCOUNTANTS®**

**Submission to the
Treasury:
Financial Adviser
Education
Standards**

February 2022

01 February 2022

Assistant Secretary
Advice and Investment Branch
Treasury
Langton Cres
Parkes ACT 2600

By email: FAStandards@treasury.gov.au

Dear Sir/ Madam

Financial Adviser Education Standards

The Institute of Public Accountants (IPA) welcomes the opportunity to comment on the proposals relating to the Financial Adviser Education Standards.

The IPA is one of the three professional accounting bodies in Australia, representing over 47,000 accountants, business advisers, academics, and students throughout Australia and internationally. Three-quarters of the IPA's members work in or are advisers to small business and SMEs.

The IPA believes that the legislative instrument setting out the financial adviser education standards should be amended. We support the need for more flexibility and that the current one-size-fits-all approach has not been effective and is not fit for purpose.

However, IPA does not support the proposed pathway set out in the consultation paper, which would recognize 10 or more years of full-time experience to be an adequate pathway. We believe that a more appropriate pathway (or model) would be to recognize qualifications, experience, and other methods of demonstrating competency, to be accredited by education institutions. Our comments on an alternative model, and case study, are set out below.

We have consulted with our members, and the overwhelming response has been against the experience pathway, without education qualifications. The main reason is that it would undermine the long-fought attempts at professionalizing financial planning. Further comments are noted below.

If you have any queries or require further information, please don't hesitate to contact Vicki Stylianou, either at vicki.stylianou@publicaccountants.org.au or mob. 0419 942 733.

Yours faithfully



Vicki Stylianou
Group Executive, Advocacy & Policy
Institute of Public Accountants

General comments and relating to consultation questions

Policy objective:

IPA members are fully in support of financial planning going from being an industry to a profession. As accountants they are already operating as recognized professionals and see significant advantages for consumers and the general public in financial advice being appropriately regulated and offered by well qualified, ethical, professionals. Our members practicing in this sector have gained higher education qualifications in financial planning (mostly through the IPA pathway which is the Deakin University Master of Financial Planning) and have passed the FASEA exam. Despite some initial hesitation, most of the members provided positive feedback about the benefits of completing further qualifications. Any members who were not prepared to undertake the necessary FASEA prescribed qualifications and exam were encouraged to leave the sector by the end of the Future of Financial Advice (FoFA) reforms transition period on 30 June 2016, which they did. For those who have left the sector, or are planning to do so, despite having completed the qualifications, the overwhelming reason is simply lack of profitability based on the cost of compliance.

Impact of proposal on industry and stakeholders:

If the objective for introducing the experience (only) pathway is to make it easier for existing advisers to stay in the sector and to try and stem the flow of advisers leaving, then the IPA contends this is a flawed approach. Extensive research and consultation, including with advisers to practices, indicates that the main driver of the adviser exodus is the cost of compliance, which makes it unprofitable (at least for smaller practices) to provide financial advice. We anticipate that this will be considered in the upcoming Quality of Advice review in 2022, which encompasses the ASIC CP332 *Promoting access to affordable advice to consumers*, consultation in January 2021.

Further, as noted in our submission to the Financial Regulator Assessment Authority on the assessment of ASIC, in January 2022:

Seaview Consulting (Seaview) (which advises financial planning practices) has advised that they are seeing a significant increase in the number of smaller businesses who are becoming “non-viable” at the scale they are at. This is leading to “forced merger discussions” or exit forced sales. It is Seaview’s opinion that the increase in compliance costs is the major contributor to this consequence.

MLC (now IOOF), Centrepoin Alliance, Count as a sample, have all materially increased the fees by Adviser, the X Plan fees and the professional indemnity insurance costs. This is a direct hit to profitability to businesses as they cannot pass this cost on other than by increasing client fees.

Seaview advises that almost every Australian Financial Services Licensee has materially increased the fees charged to Advice businesses for the provision of services they require to operate their business. In many instances this increase has been in excess of 50% per annum.

This is borne out by a recent survey of IPA members practicing in financial advice, which has found that the overwhelming impediment to consumers being able to access affordable and competent financial advice is the amount and cost of compliance. Many members cannot simply pass on this cost to clients. ASIC CP332 refers to the significant ‘price gap’ between what consumers are prepared to pay for advice and what it costs to produce advice. This is directly linked to ASIC’s approach to its regulatory responsibilities, among other reasons.

Meeting the policy objective of streamlining the education standard:

The IPA contends that the policy objective underpinning the FoFA reforms, based on providing competent, accessible, and affordable financial advice to consumers continues to be the appropriate policy objective, including when considering education standards for financial advisers. This places the emphasis on 'competent'. Through the lens of competency, we believe that a more effective education standard could be developed which still incorporates on the job experience, is fit for purpose, professionalises the industry, enhances competence and affords the most protection for consumers.

Alternative model:

To build in flexibility whilst retaining integrity in the system and ensuring professionalization, the IPA supports a model based on a competency framework, whereby an adviser would have to demonstrate competency assessed against the framework. This would include:

- **Core knowledge:** all advisers would have to demonstrate core knowledge, including ethics (mandatory), Australian Company Law, Australian Tax Law, the legislative and regulatory framework, and product structure. Further consultation could be undertaken, if necessary, on what constitutes core knowledge.
- **Specialisations:** in addition to core knowledge, advisers can gain qualifications in their chosen areas of specialization, and not have to undertake irrelevant study.
- **Tertiary qualification:** any model should include a requirement for a tertiary qualification, including a 'relevant degree' at a minimum level of AQF7. The IPA has no objection to the broadening of what constitutes a 'relevant degree' depending on the chosen areas of specialization.
- **Experience etc:** on the job experience, Recognised Prior Learning (RPL), exemptions and credits, can all be included as part of the competency framework, which would provide maximum flexibility and retain integrity. For instance, experience would need to be assessed against relevant parameters such as type, supervision and so on.
- **Length of experience:** The IPA believes that the proposed period of 10 years is insufficient to take into consideration life events such as career breaks, having children, changing careers, medical reasons and so on. A more suitable period would be 15 or even 20 years, especially if the reference point is 2026.
- **Accreditation:** competence should be assessed and accredited by a recognized education provider. It is not appropriate for the assessment or accreditation to be undertaken by licensees or anyone or any organization which is not a recognized education provider. Relying on licensees is inappropriate and also impractical. Most of our licensed and authorized members are in small practices and do not have any expertise or capacity in assessing education pathways or courses. Otherwise, there is a genuine risk of some licensees simply 'ticking a box' and having inconsistent standards.
- **Case by case:** the mix of competencies can be considered on a case-by-case basis, which retains flexibility and integrity.
- **Summary:** this alternative model would satisfy the stated objective in the consultation paper of 'recognising on the job experience whilst ensuring a base line of knowledge across the financial advice industry'.

Case study: Tax Practitioners Board (TPB)

A case study or example of an appropriate model is the TPB which recognizes education and experience in what it calls its 'mix and match approach'. The IPA has many members who are Registered Tax Agents (RTA), and as a Recognised RTA Association, we can safely state that the TPB system operates effectively.

We refer to the following excerpt from the TPB Information Sheet TPB(I) 06/2011 found on the TPB website, link below:

4. *In determining whether an applicant satisfies the bulk of the course content and topic requirements, the TPB will take into consideration work experience, other education experience and undertakings of the applicant. Therefore, it is not necessary for the course content and topic requirements to be part of a single coherent series of units delivered, for example, by one provider.*
5. *Each course approval request will need to be considered on its merits.*

Refer to, [TPB Information Sheet TPB\(I\) 06/2011 | TPB](#)

Other:

We wish to clarify that any adviser who is currently qualified, under the FASEA regime, does not need to do anything additional (assuming they've passed the exam).