



# FPA 10 Point Plan: Progress Update

RECOGNITION OF THE FPA'S KEY RECOMMENDATIONS FOR THE FUTURE OF THE FINANCIAL PLANNING PROFESSION | 15 JANUARY 2015

FPA 10 Point Plan	Recognition in recent Inquiries
<p>1. Raising the minimum criteria so that the term financial planner/adviser is restricted under the Corporations Act and the individual must:</p> <ol style="list-style-type: none"> <li>a. Have membership of an ASIC approved professional body; and</li> <li>b. Hold minimum education standards of a relevant university degree, and three years' experience over a 5 year period; and</li> <li>c. Maintain minimum continuing professional development of 90 CPD points over a triennium.</li> </ol>	<p><b>Senate inquiry into the Performance of ASIC – Recommendation 42:</b>  <i>The committee recommends that financial advisers and planners be required to:</i></p> <ul style="list-style-type: none"> <li>• <i>Successfully pass a national examination developed and conducted by relevant industry associations before being able to give personal advice on Tier 1 products;</i></li> <li>• <i>Hold minimum education standards of a relevant university degree, and three years' experience over a five year period; and</i></li> <li>• <i>Meet minimum continuing professional development requirements</i></li> </ul> <p><b>Senate inquiry into the Performance of ASIC – Recommendation 45:</b>  <i>The committee recommends that the Corporations Act 2001 be amended to require:</i></p> <ul style="list-style-type: none"> <li>• <i>That a person must not use the terms 'financial adviser', 'financial planner' or terms of like import, in relation to a financial services business or a financial service, unless the person is able under the license regime to provide personal financial advice on designated financial products, and;</i></li> <li>• <i>Financial advisers and financial planners to adhere to professional obligations by requiring financial advisers and financial planners to be members of a regulator-prescribed professional association.</i></li> </ul> <p><b>FSI Report - Recommendation 24:</b>  <i>Better align the interests of financial firms with those of consumers by raising industry standards, enhancing the power to ban individuals from management and ensuring remuneration structures in life insurance and stockbroking do not affect the quality of financial advice.</i></p> <p><b>FSI Report - Recommendation 25:</b>  <i>Raise the competency of financial advice providers and introduce an enhanced register of advisers.</i></p> <p><b>PJC Inquiry into education and professional standards – Recommendation 3:</b>  <i>The committee recommends that to provide 'financial advice' an individual must be registered as a financial adviser.</i></p>



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***PJC Inquiry into education and professional standards – Recommendation 4:***

*The committee recommends that the government should bring forward legislation to protect the titles 'financial adviser' and 'financial planner' and require that to be eligible to use the title 'financial adviser', an individual must be registered as a financial adviser.*

***PJC Inquiry into education and professional standards – Recommendation 7***

*The committee recommends that:*

- *the mandatory minimum educational standard for financial advisers should be increased to a degree qualification at Australian Qualification Framework level seven....*

***PJC Inquiry into education and professional standards – Recommendation 8***

*The committee recommends that ASIC should only list a financial adviser on the register when they have:*

- *satisfactorily completed a structured professional year and passed the assessed components; and*
- *passed a registration exam set by the Finance Professionals' Education Council administered by an independent invigilator.*

***PJC Inquiry into education and professional standards – Recommendation 9***

*The committee recommends that the government require mandatory ongoing professional development for financial advisers that:*

- *is set by their professional association in accordance with Professional Standards Councils requirements; and*
- *achieves a level of cross industry standardisation recommended by the Finance Professionals' Education Council.*

***PJC Inquiry into education and professional standards – Recommendation 13***

*The committee recommends that any individual wishing to provide financial advice be required to be a member of a professional body that is operating under a Professional Standards Scheme approved by the Professional Standards Councils and to meet their educational, professional year and registration exam requirements.*



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<p>2. Amend the law to develop criteria so that ASIC can approve professional bodies such as those prescribed in the Tax Agent Services Act or the approach proposed by the FSA in the UK</p> <p>(In its submission to the PJC Inquiry into education and professional standards the FPA recommended supporting appropriate policies to enable the effective implementation and operation of the co-regulation of financial planners and financial advisers through recognised professional bodies. This could, for example, be achieved by supporting the established mechanisms of the Professional Standards Councils.)</p>	<p><b>PJC Inquiry into education and professional standards - Recommendation 11</b> <i>The committee recommends that professional associations representing individuals in the financial services industry be required to establish codes of ethics that are compliant with the requirements of a Professional Standards Scheme and that are approved by the Professional Standards Council.</i></p> <p><b>PJC Inquiry into education and professional standards - Recommendation 12</b> <i>The committee recommends that financial sector professional associations that wish to have representation on the Finance Professionals' Education Council and to be able to make recommendations to ASIC regarding the registration of financial advisers, should be required to establish Professional Standards Schemes under the Professional Standards Councils, within three years.</i></p> <p><b>The Senate inquiry into the Performance of ASIC has called for regulator prescribed professional associations in recommendation 45.</b></p>
<p>3. The immediate establishment of a financial planner education working group (FPEWG) to develop a considered, strategic and holistic financial planner education framework. With the aim of lifting minimum education and experience standards to a relevant university degree and three years' experience over a 5-year period.</p>	<p><b>PJC Inquiry into education and professional standards – Recommendation 7</b> <i>The committee recommends that:</i></p> <ul style="list-style-type: none"> <li>• <i>the mandatory minimum educational standard for financial advisers should be increased to a degree qualification at Australian Qualification Framework level seven; and</i></li> <li>• <i>a Finance Professionals' Education Council should set the core and sector specific requirements for Australian Qualifications Framework level seven courses.</i></li> </ul> <p>Transition arrangements in place until 1 January 2019.</p> <p><b>PJC Inquiry into education and professional standards – Recommendation 10</b> The committee recommends that the professional associations establish an independent Finance Professionals' Education Council that:</p> <ul style="list-style-type: none"> <li>• is controlled and funded by professional associations which have been approved by the Professional Standards Councils;</li> <li>• comprises a representative from each professional association (which has been approved by the Professional Standards Councils), an agreed number of academics, at least one consumer advocate, preferably two who represent different sectors and an ethicist;</li> <li>• receives advice from ASIC about local and international trends and best practices to inform ongoing</li> </ul>



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	<p>curriculum review;</p> <ul style="list-style-type: none"> <li>• sets curriculum requirements at the Australian Qualifications Framework level seven standard for core subjects and sector specific subjects (e.g. Self-Managed Superannuation Fund services, financial advice, insurance/risk or markets);</li> <li>• develops a standardised framework and standard for the graduate professional year to be administered by professional associations;</li> <li>• develops and administers through an external, independent invigilator a registration exam at the end of the professional year; and</li> <li>• establishes and maintains the professional pathway for financial advisers including recognised prior learning provisions and continuing professional development.</li> </ul>
<p>4. The term 'Commission' to be defined and then banned under the General Advice exemption.</p>	<p><b><i>This is already being addressed through the FOFA reform process.</i></b></p>
<p>5. General Advice should be re-termed 'general or product information' and be limited to the provision of 'factual information and/or explanations' relating to financial products.</p>	<p><b><i>FSI Report – Recommendation 40:</i></b> <i>Rename 'general advice' and require advisers and mortgage brokers to disclose ownership structures.</i></p> <p><b><i>PJC Inquiry into education and professional standards – Recommendation 1:</i></b> <i>The committee recommends that the term 'general advice' in the Corporations Act 2001 be replaced with the term 'product sales information' to better reflect the nature of that information.</i></p>



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<p>6. The development and implementation of a co-regulatory design, which recognises and facilitates the role of 'approved' professional bodies in assisting ASIC to achieve its consumer protection and confidence mandates.</p>	<p><b>FSI Report – Page 194:</b> <i>The Inquiry also considered the scope for self-regulation. Industry self-regulatory approaches are often more successful in setting governance, customer service or technical standards that supplement the law, than in addressing sector-wide conduct issues, particularly where there are commercial pressures that may undermine standards. In some cases, there may also be a first-mover disadvantage. In these cases, government regulation may be required. On this basis, the Inquiry looks to firms and industry to take forward initiatives for a number of the recommendations in this chapter. These include raising industry standards and levels of professionalism, more effectively disclosing risk and fees, and improving guidance and disclosure for general insurance.</i></p> <p><b>FSI Report – Page 216:</b> <i>The Inquiry recommends a self-regulatory, flexible approach to improving communication of risk and fees, allowing tailoring for different classes of products and avoiding prescriptive regulation, which would involve higher compliance costs. Industry should build on existing measures to improve consumer understanding of risk by including risk measures for investment products; for example, simple and non-simple MISs, securities and structured products. Industry should also consider examples of risk measures used in Europe and Canada.</i></p> <p><b>PJC Inquiry into education and professional standards – Recommendation 13</b> <i>The committee recommends that any individual wishing to provide financial advice be required to be a member of a professional body that is operating under a Professional Standards Scheme approved by the Professional Standards Councils and to meet their educational, professional year and registration exam requirements.</i></p>



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<p>7. The establishment of a public register which is managed by ASIC, with a requirement for all financial planners/advisers (including employed representatives) who provide personal advice to be individually registered.</p>	<p><b><i>The Treasury is currently conducting public consultation on measures to implement a public adviser register of all financial planners/advisers.</i></b></p> <p><b><i>Senate inquiry into the Performance of ASIC – Recommendation 43:</i></b> <i>The committee recommends that a requirement for mandatory reference checking procedures in the financial advice/planning industry be introduced</i></p> <p><b><i>Senate inquiry into the Performance of ASIC – Recommendation 44</i></b> <i>The committee recommends that a register of employee representatives providing personal advice on Tier 1 products be established.</i></p> <p><b><i>FSI Report - Recommendation 25:</i></b> <i>Raise the competency of financial advice providers and introduce an enhanced register of advisers.</i></p> <p><b><i>PJC Inquiry into education and professional standards - Recommendation 3</i></b> <i>The committee recommends that to provide 'financial advice' an individual must be registered as a financial adviser.</i></p> <p><b><i>PJC Inquiry into education and professional standards - Recommendation 5</i></b> <i>The committee recommends that the register of financial advisers:</i></p> <ul style="list-style-type: none"> <li>• <i>include the information fields detailed in the government's announcement of the register on 24 October 2014;</i></li> <li>• <i>have a unique identifier that follows every individual adviser throughout their career;</i></li> <li>• <i>only list financial advisers on the register when a professional association (which has been approved by the Professional Standards Councils) advises that the adviser has completed the requirements of the Finance Professionals' Education Council approved professional year and passed the registration exam;</i></li> <li>• <i>record any higher qualification awarded by a professional body to the adviser;</i></li> <li>• <i>annotate any censure or limitation placed on a financial adviser by a professional body, Australian</i></li> </ul>



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	<p><i>Securities and Investments Commission or Australian Financial Service Licence holder; and</i></p> <ul style="list-style-type: none"> <li><i>highlight that an adviser is no longer authorised to provide financial advice if the adviser has their membership of the nominated professional body suspended or revoked.</i></li> </ul>
<p>8. ASIC should have suspension powers for financial planners/advisers suspected of material and systemic breaches of the best interest duty. ASIC must have a justifiable position and the financial planner/adviser has the right of appeal to AAT.</p>	<p><b>Senate inquiry into the Performance of ASIC – Recommendation 48:</b> <i>The committee recommends that the government consider legislative amendments that would give ASIC the power to immediately suspend a financial adviser or planner when ASIC suspects that the adviser or planner has engaged in egregious misconduct causing widespread harm to clients, subject to the principles of natural justice.</i></p> <p><b>FSI Report - Recommendation 24:</b> <i>Better align the interests of financial firms with those of consumers by raising industry standards, enhancing the power to ban individuals from management and ensuring remuneration structures in life insurance and stockbroking do not affect the quality of financial advice.</i></p>
<p>9. Once the Federal Budget position has been improved, that the government commence consultation with industry to determine the benefit to have the preparation of an initial financial plan be expressly stated to be tax deductible.</p>	<p><b>Has not been addressed.</b></p>
<p>10. A review into lifting the criteria of a sophisticated investor.</p>	<p><b>Senate inquiry into the Performance of ASIC – Recommendation 59:</b> <i>The committee recommends that the government clarify the definitions of retail and wholesale investors.</i></p> <p><b>Senate inquiry into the Performance of ASIC – Recommendation 60:</b> <i>The committee recommends that the government consider measures that would ensure investors are informed of their assessment as a retail or wholesale investor and the consumer protections that accompany the classification. This would require financial advisers to ensure that such information is displayed prominently, initialed by the client and retained on file.</i></p>