



FINANCIAL PLANNING
ASSOCIATION *of* AUSTRALIA

17 August 2018

Dr Mark Brimble
Acting Managing Director
Financial Adviser Standards and Ethics Authority

Email: consultation@fasea.gov.au

Dear Dr Brimble

RE: Consultation Paper 4: Provisional Relevant Provider Term

The Financial Planning Association of Australia¹ (FPA) welcomes the opportunity to provide feedback in response to the Financial Adviser Standards and Ethics Authority's (FASEA) proposed term for Provisional Relevant Providers.

The FPA surveyed members to better understand how they believe the proposed term of Provisional Financial Adviser would be received and understood by their clients. The survey delivered mixed results.

Noting the relatively small sample size of 498 respondents, 54% of respondents agreed with the FASEA proposal. However 58% of respondents believed that consumers would not understand that a Provisional Financial Adviser is undertaking their Professional Year.

From an advice perspective feedback indicated the following concerns about the proposed term:

- It infers the provider holds lesser qualifications and reduces their credibility considerably
- It is an ambiguous term and non-descriptive of the fact the adviser is undertaking the PY
- The term does not acknowledge that the new adviser had met the education standards of a Bachelor Degree or Graduate Diploma, and passed the exam
- The proposed term would imply a lack of education and competency
- Sounds degrading. Would a client want to work with a Provisional adviser?
- This will present challenges to a Provisional Adviser gaining trust with a client that they already have existing competencies and qualifications
- The association with P plate drivers may be misleading especially given the person will be a university graduate.

¹ The Financial Planning Association (FPA) has more than 14,000 members and affiliates of whom 11,000 are practising financial planners and 5,720 CFP professionals. The FPA has taken a leadership role in the financial planning profession in Australia and globally:

- Our first "policy pillar" is to act in the public interest at all times.
- In 2009 we announced a remuneration policy banning all commissions and conflicted remuneration on investments and superannuation for our members – years ahead of FOFA.
- We have an independent conduct review panel, Chaired by Graham McDonald, dealing with investigations and complaints against our members for breaches of our professional rules.
- The first financial planning professional body in the world to have a full suite of professional regulations incorporating a set of ethical principles, practice standards and professional conduct rules that explain and underpin professional financial planning practices. This is being exported to 26 member countries and the more than 175,570 CFP practitioners that make up the FPSB globally.
- We have built a curriculum with 18 Australian Universities for degrees in financial planning. Since 1st July 2013 all new members of the FPA have been required to hold, or be working towards, as a minimum, an approved undergraduate degree.
- CFP certification is the pre-eminent certification in financial planning globally. The educational requirements and standards to attain CFP standing are equal to other professional bodies, eg CPA Australia.
- We are recognised as a professional body by the Tax Practitioners Board.



Alternatively:

- 47 respondents suggest Associate Financial Adviser – while the title Associate Adviser is often used in financial planning practices to refer to a junior adviser role, the term Associate has particular meanings under the Corporations Act and therefore we do not believe it is appropriately applied in reference to a Provisional Relevant Provider.
- 27 respondents suggested Trainee Financial Adviser – however again this may raise similar concerns to those listed above.

Other terms suggested were more descriptive to improve consumer understanding and included:

- Supervised Financial Adviser – to indicate that a more senior, experienced adviser is overseeing the new adviser's advice.
- Professional Year Financial Adviser – to clearly state that the individual was undertaking the PY, while using a term indicating a level of competence and professionalism.
- Intern Financial Adviser – in reference to an internship and the term as it is used in the training requirements for medicine and other professions. However interns are usually not paid hence the use of this term may be misleading as Provisional Relevant Providers must be paid employees.

Section 923C of the Corporations Act creates a legal restriction on the use of the terms “financial adviser” and “financial planner”. Both these terms are used by industry, government, regulators and consumers in relation to the provision of financial advice.

The term for Provisional Relevant Provider set by FASEA should permit the use of both these terms as per the requirements in s923C.

The FPA recommends either of the following terms for Provisional Relevant Providers would offer a descriptive option for consumers:

- Supervised Financial Adviser and Supervised Financial Planner, or
- Professional Year Financial Adviser and Professional Year Financial Planner.

The FPA would welcome the opportunity to discuss with the FASEA Board the issues raised in our submission.

If you have any questions, please contact FPA's Head of Policy, Ben Marshan (ben.marshan@fpa.com.au) or myself (dante.degori@fpa.com.au) on 02 9220 4500.

Yours sincerely

Dante De Gori
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Financial Planning Association of Australia