



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 5: Professional Work & Training Requirement (Professional Year)

The Financial Planning Association of Australia (FPA) welcomes the opportunity to provide feedback in response to the Financial Adviser Standards and Ethics Authority's (FASEA) proposed requirements for the Professional Year for new advisers.

The FPA supports the introduction of a Professional Year for new advisers, however the requirements set by FASEA must be practical and workable to ensure they can be successfully implemented across all business models in the advice industry to deliver the intended consumer benefits, now and into the future.

The FPA presents enhancements to the proposed FASEA Professional Year requirements, compliant with the provisions in the legislation.

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

Chief Executive Officer
Financial Planning Association of Australia



FINANCIAL PLANNING
ASSOCIATION *of* AUSTRALIA

CONSULTATION PAPER 5: PROFESSIONAL WORK & TRAINING REQUIREMENT (PROFESSIONAL YEAR)

**FPA submission to
Financial Adviser Standards and Ethics Authority**

17 August 2018



TABLE OF CONTENTS

	Page
INTRODUCTION	1
PACKAGE OF REFORMS	2
BUSINESS MODEL DIVERSITY	2
CONSULTATION INTERESTS OF FASEA	5
Section 3 - Responsibilities for approving work and training in the Professional Year	5
Section 4 – Requirements: work and training	8
Section 5 - Competencies required for satisfaction of work and training standard	13
Section 6 - Evidence collection	14
Section 7 - Exit Criteria	16
Section 8 - Potential resources and templates	17



INTRODUCTION

The Financial Planning Association of Australia¹ (FPA) supports an obligation on new advisers to meet minimum work experience requirements through a Professional Year (PY) to be able to provide tier 1 personal financial advice to retail clients. Requiring new entrants into a profession to meet experience requirements is a widely used practice. Work experience allows theory to be put into practice and facilitates learning outcomes that cannot be achieved through a text book. Work experience requirements are a vital element of the education framework as they reinforce the knowledge gained through the formal education undertaken to meet the new education standards.

Work experience for new entrants into the financial planning profession permits individuals to understand and develop the soft skills required for effective client relationships; be involved in the development of financial plans specifically to meet the needs and circumstances of each client; and comprehend and learn the advice processes used by businesses that must be followed to comply with the legal obligations of providing personal financial advice under an AFSL.

The skill of being able to engage with a client, collect information in a way that will allow for a professional diagnosis, and then working with the client to ensure they understand what are often complex and foreign financial concepts to implement their plan are not skills which can be taught in a book and unassisted can take years to develop. New financial advisers require practice, observation, development off the back of feedback, and mentoring over time to efficiently develop these skills.

While there is a need for new advisers to undertake a consistent PY program, there must also be consideration given to the requirement that the graduate must be able to operate commercially for their employer during their training program.

There must be a balance in the requirements for the PY - if the requirements are too onerous or burdensome on the supervisor, advice practice, or licensee it will create significant financial pressure on the employer who will carry the cost of employing the new adviser who is not in a legal position to generate an income for the business until they have completed the PY requirements. This could particularly impact sole traders and their ability to take on new financial advisers or expand their business. This issue is a particularly high risk in regional areas where the only financial advice practice may be a sole trader. It may also deter large licensees from taking on new advisers, which will impact the effectiveness of the new education and professional standards framework, and the availability of advice for consumers.

If an effective and workable balance is not achieved, and the PY requirements are too prescriptive and onerous, it could greatly restrict the ability of financial advice practices and licensees from taking on PY candidates, creating a significant barrier to entry for new advisers.

¹ The Financial Planning Association (FPA) has more than 14,000 members and affiliates of whom 11,000 are practicing 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, e.g. CPA Australia.
- We are recognised as a professional body by the Tax Practitioners Board.



PACKAGE OF REFORMS

As stated by the Minister, the new professional standards for financial advisers as set out in the legislation are intended to work together as a package to raise professional and education standards.

*“The Government will introduce its legislation on the **reform package** into Parliament following final consultations with industry and consumer groups later this month.”²*

The package of reforms includes:

- compulsory education requirements for both new and existing financial advisers
- supervision requirements for new advisers (professional year)
- an exam that will represent a common benchmark across the industry
- continued professional development minimum (CPD) standards, and
- a code of ethics for the industry

This is important as it demonstrates that no single measure is intended to work as a standalone fix to raising the education and professionalism of financial advisers.

The knowledge and skills gained through the initial education and exam testing is maintained and advanced through the experience requirements of the Professional Year for new advisers.

The requirements of the PY must reflect its role in the package of standards and focus on ensuring the intended experience outcomes of putting into practice the knowledge gained through formal education and providing advice to clients within a financial advice firm, are delivered. The PY should not duplicate other elements of the reform package. This will only serve to detract from the vital practical supervised experience and mentoring new advisers need to gain in order to provide quality financial advice to clients throughout their career.

The PY must recognise other components of the education and professional standards package and focus on the new adviser’s ability to perform. While the FPA is supportive of further education, the PY obligation in the law is not intended to require new advisers to undertake additional formal education to gain another qualification on top of the minimum education requirements of s921B(2)(a).

BUSINESS MODEL DIVERSITY

There are a multitude of different business models operating in the financial advice industry, including (at a high level):

- Large licensees may have both financial advisers and financial advice businesses operating under their license as:
 - employed (salaried) financial advisers
 - authorised representatives (who run their own financial advice practice) – these

² <http://kmo.ministers.treasury.gov.au/media-release/094-2016/>



representatives include small practices and sole traders operating under the large licensee's AFSL

- corporate authorised representatives, who in turn employ or authorise individual advisers and financial advice practices
- Medium sized licensees who commonly have authorise representatives (running their own financial planning business) operating under their license
- Small licensee operating with either employed or authorised representatives within the one financial advice business / practice
- Sole trader who holds their own license.

Current supervision arrangements vary significantly across the diversity of business models. While larger licensees may employ specialised coaches, mentors and compliance personnel with a certain skill set to help train advisers and provide oversight and assistance to their adviser networks; smaller business models may use senior advisers and compliance consultants to fulfill such roles.

There is also significant market diversity as to the advice offering of each business in line with the needs of that business' client base, its license conditions, and its unique business operations. The diversity of business models and service offerings span the depth and breadth of the financial advice market.

Each of these business models offer significant and valid learning opportunities for new advisers.

However, the PY requirements in s921F(5) of the Corporations Act make it clear that the advice provided to clients by the Provisional Relevant Provider (new adviser) during the PY is considered to be the advice of the supervisor. Put another way, the new adviser is not permitted to provide advice to clients in their own right or under their own name until they have successfully completed the PY. Section 921F also clearly indicates that the supervisor must be a financial adviser, authorised to provide financial advice to clients. It is the licensee who is ultimately responsible for all advice provided under its license.

This will require all business models to rethink their current supervisory practices to ensure an existing financial adviser can adequately and appropriately fulfill the role of and meet the requirements to be a supervisor; and, for some licensees, oversight of both the new adviser and the supervisor during the PY.

The requirements of the PY should not act as a disincentive for existing licensees and business owners to employ a new adviser. Many financial advice firms are small businesses who will be carrying the initial burden of the employment costs of new adviser who will not be able to provide advice in their own name (hence not able to earn an income for the business) and with no guarantee that the new adviser will stay with their firm upon successful completion of the PY.

We encourage FASEA to consider the practicalities of the PY requirements, so they do not overtly impact the running and costs of the small business, thereby avoiding these additional costs being passed on to consumers.

We recommend the administrative requirements should not be made overly complex or prescriptive to



ensure there is flexibility in the system to enable different business models to commit to meeting the needs of the new adviser during the PY. Rather, prescriptive elements should sit outside the FASEA PY policy and be provided as a guide only. Overly prescriptive requirements for the PY ignore the diversity of business models within the industry, and importantly, overstep the mark into decisions that should be the responsibility of the business, supervisor and new adviser, based on the needs of the clients each business services, its business operations and the development plan of the new adviser.

Overly complex and prescriptive PY requirements risk discouraging financial advice practices from employing new advisers for their PY and creating a significant barrier to entry for new advisers.



CONSULTATION INTERESTS OF FASEA

Section 3 - Responsibilities for approving work and training in the Professional Year

Question: S3.1

Do you agree with the requirement for supervisors to have a minimum of 2 years' experience as a relevant provider?

FPA Response

Duration

The FPA supports the FASEA proposal that supervisors have a minimum of 2 years' experience. This position is supported by 70% of FPA members who responded to our survey on the PY requirements.

The FPA acknowledges that 2 years' experience seems a relatively short period of time to be able to be a supervisor, and that many financial advisers are still learning themselves after 2 years.

However, the FPA supports the proposed 2 years' experience requirement for supervisors for the following reasons:

- It provides flexibility to enable small financial advice practices, particularly in regional areas to employ new advisers for their PY. In some instances, there may only be one or two small financial advice practices operating in a geographical location. If the supervisor requirements are set too high, it may restrict local business' ability to offer the PY and exclude new advisers from the PY within their local area, creating a barrier to entry or forcing them to move locations to complete this requirement.
- It sets a minimum experience requirement providing licensees and financial advice practices with the scope to assess any risk this may pose to their clients and business and set a higher experience requirement for supervisors within their own business.
- Increasing the years of experience required of supervisors does not guarantee the financial adviser will be a capable supervisor.

To overcome concerns about the appropriateness of a 2-year experience benchmark, consideration could be given to closer monitoring of supervisors by Code Monitoring Bodies. This may require consideration of identifying the relevant providers who act as supervisor for a new adviser's PY.

It is also unclear as to the attainment of the experience. It is recommended that FASEA clearly define the definition of experience given the diversity of roles within and around the financial planning profession and the need for clarity for licensees. The FPA recommends a minimum of two years full time equivalent experience (as recorded on the ASIC Financial Adviser Register) in the past 5 years. The experience must be in providing personal financial advice to retail consumers.

This approach ensures clarity and flexibility to encourage businesses to take on new advisers, while allowing them to make a business choice to set a higher standard.



Type of experience

Under s910A of the Corporations Act “a person is a relevant provider if the person

- a) *is an individual; and*
- b) *is:*
 - i. *a financial services licensee; or*
 - ii. *an authorised representative of a financial services licensee; or*
 - iii. *an employee or director of a financial services licensee; or*
 - iv. *an employee or director of a related body corporate of a financial services licensee; and*
- c) *is authorised to provide personal advice to retail clients, as the licensee or on behalf of the licensee, in relation to relevant financial products.”*

There are many different roles in the advice industry that require authorisation but do not involve providing face to face advice to clients. Similarly, there may be individuals who may have attained authorisation but moved into non-client facing roles.

As noted above, s921F clearly indicates that the supervisor must be a financial adviser / financial planner and is considered under the law as the person providing the advice to the client. This is supported in the Explanatory Memorandum to the Bill which states:

“These requirements are designed to ensure that there is a direct relationship between a supervisor and the provisional relevant provider. While licensees’ back-office vetting processes are important safeguards, they cannot substitute for a direct supervision and mentoring relationship between two individuals (the supervisor and the provisional relevant provider).”³

The FPA recommend FASEA ensure its PY policy is in line with the legal requirements and is clear as to the type of experience necessary to act as a supervisor. The FPA supports a requirement of 2 years’ experience in the provision of financial advice to retail clients. We would point the Tax Practitioners Board already having standards in place around supervisor experience of tax (financial) advisers as being a relevant standard which is already in place.

Providing PY evidence

The consultation paper states:

“The Standards Authority expects that the Supervisor will support the provisional relevant provider and will ensure that evidence of the work and training standard has been collected,

³ 2.36



reviewed and is available to the Provisional Relevant Provider and other relevant entities such as ASIC, a Code Monitoring Body and FASEA.”⁴

The FPA seeks clarity as to the intentions and meaning of the phrase “*is available to*” particularly in relation to ASIC, a Code Monitoring Body and FASEA. For example, is it intended that the supervisor is obliged to provide the PY evidence to these entities on request only; or is it FASEA’s intention that the supervisor has a mandated responsibility to provide the PY evidence to these entities at the completion of the new adviser’s PY?

The FPA does not agree with the responsibility for making PY evidence available to ASIC, a Code Monitoring Body and FASEA, being placed on the supervisor. Rather, this should be a responsibility of the licensee.

The obligation to notify ASIC about a person who becomes a relevant provider is placed on the licensee under s922D(1). This notice to ASIC by the licensee must include all the information required under s922F(1), including

- (g) the day the provisional relevant provider began undertaking work and training
- (h) the year in which the relevant provider first provided personal advice to retail clients (i.e. the day the provisional relevant provider became a relevant provider)
- (l) the recent advising history of the relevant provider for the 5 years ending immediately before the time the notice is lodged;
- (m)(i) the educational qualifications of, and any training courses completed by, the relevant provider, to the extent that the qualifications and training courses are relevant to the provision of financial services;
- (m)(ii) the relevant provider's membership (if any) of a professional association if an approval is in force under section 921K in relation to a compliance scheme monitored and enforced by the association;
- (n) the name of the compliance scheme that is to cover the relevant provider.

Section 921H obliges the licensee to ensure that any relevant provider it authorises to provide advice is covered by a compliance scheme within 30 business days of when the person becomes a relevant provider. This includes providing information about the relevant provider to the Code compliance scheme.

The FPA recommends placing the obligation for making PY evidence available to ASIC, a Code Monitoring Body and FASEA, on the licensee (not the supervisor) would be consistent with the provision of information to these entities about provisional relevant providers and relevant providers under the Corporations Act.

⁴ Page 4



Section 4 – Requirements: work and training

FASEA Proposal:

FASEA Proposes the Provisional Relevant Providers who take a career break must meet the existing adviser education and additionally CPD for those that have been away for more than 2 years. That the amount of time spent in work and training is 1800 hours split between 800 hours of education and training, 1000 hours of work. Further details in Section 4.

Question S4.1

Do you agree with what is required of those individuals that return after a career break? If not, why not?

FPA Response

Yes. While the FPA supports FASEA's proposed requirements for individuals that return after a career break, we seek clarity as to the application of this proposal:

Page 4 and 5 of the consultation paper state:

Where relevant providers take a career break, the following standard will apply to the relevant provider. For periods of leave of less than 2 years, Relevant Providers are able to return without additional requirements over and above the FASEA professional and education standards for existing advisers. For periods of 2 years or more, they will need to undertake appropriate CPD to ensure they are equipped with the latest regulatory and licensee requirements.

However, page 11 of the consultation paper states:

Proposal: FASEA Proposes the Provisional Relevant Providers who take a career break must meet the existing adviser education and additionally CPD for those that have been away for more than 2 years.... Further details in Section 4.

Questions: S4.1 Do you agree with what is required of those individuals that return after a career break? If not, why not?

Do the requirements for individuals taking a career break apply to relevant providers or provisional relevant providers?

We also seek clarity as to FASEA's proposal of what constituents "appropriate CPD":

For periods of 2 years or more, they will need to undertake appropriate CPD to ensure they are equipped with the latest regulatory and licensee requirements.

The FPA recommend "appropriate CPD" for individuals who have taken a career break for 2 years or more, should be determined by the licensee and the individuals based on the licensee's CPD policy, business operations and the needs of their client base; regulatory changes that occurred during the 2-year absence (which can vary significantly); and the individual's Professional Development Plan.



Question S4.2

Do you agree with the proposed amount of time and split between work and training required of the proposed Professional Year? If not, why not?

FPA Response

The FPA does not agree with the proposed amount of time and split between work and training required during the Professional Year.

The FPA recommends the Professional Year requirement should be 1 year (12 months) of full-time equivalent practical work as a Provisional Relevant Provider, with an obligation to meet the CPD requirements set for Relevant Providers.

Hours

The FPA does not agree with the PY requirement being based on the number of hours undertaken. It is vital that the new FASEA requirements align with the existing standards set by the Tax Practitioners Board (TPB). The experience requirements for registration with the TPB as a tax (financial) adviser are based on years, not hours. Regulatory inconsistency adds significant complexity and inefficiency for businesses and individuals trying to meet the standards to become financial advisers, which includes meeting the TPB requirements for registration.

Such unnecessary inconsistency, inefficiency and complexity will only serve as a barrier to entry and to drive up the cost of advice for consumers. Regulatory efficiency and consistency across regulators is also in line with the Government's deregulation agenda.

New advisers are required to be a full-time paid employee for the duration of the PY. This means that businesses will expect the new adviser to fulfill their role as both a paid employee and under the PY requirements, in line with the Fair Work Ombudsman's full-time hours - "*a full-time employee has ongoing employment and works, on average, around 38 hours each week*". This alongside the inclusion of assessment, evidence collection and exit criteria to show the PY requirements have been met by the new adviser, negates the need to for FASEA to dictate the number of hours to be completed and logged.

Total number of hours

FASEA proposes that the PY requirements be met over a period of at least 12 months of continuous employment with standard leave arrangements performed as a full-time or part-time employee. The requirements include 800 hours of education plus 1,000 hours of work and supervised experience, totaling 1,800 hours.

The consultation paper states:

*"This is based on an approximate 1800 hour working year (48 weeks at 37.5 hours per week)"*⁵

The consultation paper also states that "*Experience will be gained during the initial phase of*



employmentwith standard leave arrangements performed as full-time or part-time employment.”

According to the Fair Work Ombudsman, “a full-time employee has ongoing employment and works, on average, around 38 hours each week”. The National Employment Standards (NES) dictate that full-time and part-time employees must receive a minimum of 4 weeks of annual leave, based on their ordinary hours of work. Full-time employees are also entitled to 10 days (or 2 working weeks) sick and carer’s leave each year (also known as personal leave).⁶ In addition, based on the current financial year, there are 11 public holidays falling on a week day. This leaves 224 days, or 1,680 hours in a year of full time employment for the new adviser to complete the PY requirements if only half of the personal leave is used during that period. This is less than the proposed 1,800 hours required under the FASEA PY proposal.

The proposal of 1,800 hours puts employers at risk of breaking employment-related laws if they were to provide the opportunity for the person to meet their Professional Year requirements but do not allow new advisers to take their leave entitlements and require them to work 8 hours or more each day in order to complete the 1,800 hours within a one-year period.

The intent and effectiveness of the PY would be still be achieved under a duration requirement of one year (12 months).

The FPA recommend the minimum requirement for the duration of the Professional Year should be set at one year (12 months) in line with the TPB.

Eight hundred (800) hours of Education

FASEA proposes that the new adviser be required to undertake a minimum of 800 hours of education as part of the PY.

The Professional Year requirement is set out in s921B(4) of the Corporations Act, which states:

The third standard is that the person has undertaken at least 1 year of work and training that meets the requirements set by the standards body.

The FASEA consultation paper states⁷:

The Standards Authority recognises that this is because provisional relevant providers will be actively engaged in work, training and education as part of achieving relevant provider status.

However, s921B(4) of the Act does not require that “education” be undertaken as a requirement of the PY. The legal requirement is limited to “work and training”.

The inclusion of education in the PY completely ignores the role of each element of the package of education and professional standards set in the law. As clearly stated in the 2.25 of the Explanatory Memorandum:

⁶ <https://www.fairwork.gov.au/employee-entitlements/types-of-employees/casual-part-time-and-full-time/full-time-employees>

⁷ Page 5



*A person can only be authorised to give advice as a **provisional relevant provider** if they have completed the first two education standards (degree and exam requirements) and they are currently completing their professional year. These requirements apply to both individuals who are appointed as a representative and those hired as an employee or a director.*
[Schedule 1, Part 1, items 5 and 12, note at the end of subsection 916A(1), subsections 921C(2) and (4)]

Requiring additional formal education completely ignores the fact that new advisers have already completed, at great time, commitment and expense (on average approximately \$41,660), a formal university Bachelor degree or Graduate Diploma as per FASEA's minimum education standard for new advisers.

The PY should not include education requirements. This significantly detracts from the valuable skill development gained through on the job training and supervised experience which allows new advisers to apply the knowledge gained through the formal education they will have just completed under s921b(2)(a).

Eight hundred hours of education in the PY exceeds the legislative requirements under s921B(2)(c). This proposed requirement equates to approximately 17 hours per week of the new adviser's paid working week to be dedicated to further education. This will be cost inhibitive for employers as it equates to approximately 45 per cent in lost work capacity of the new adviser through education hours. It also adds an additional expense (for either the new adviser or employer) who must cover the cost of formal education.

It will put at risk the purpose and the outcomes sought from the PY, as detailed on page 6 of the consultation paper. These outcomes will only be delivered through practical experience and on the job training, not additional further education as a component of the PY.

The inclusion of 800hrs of education will also result in new advisers being required to undertake an additional 6 months of work experience in order to meet the TASA experience requirements and be registered with the TPB. FASEA's PY requirements should align with the experience requirements for TPB registration of one year of work experience and training, which was the intent of aligning and formalising these obligations for new entrants.

The proposed component of 800 hours of additional education will be restrictive for businesses and new advisers alike and will create a significant barrier to entry into the advice industry for new advisers.

The focus of the PY should be on the application of knowledge and the development of client servicing skills such as questioning techniques, client needs identification, strategy development and client engagement skills. It is also important for the new adviser to learn on the job advice administration processes and how to demonstrate to the client that their advice is in their best interest, how it will put them in a better position, and meets the advice obligations under the law.

The education component creates an excessive burden on the new adviser, exceeds the legislative requirements for the PY, and will significantly undermine the intent and role the PY plays in the education and professional standards package. The intent of the PY was to ensure a rounded approach to education by allowing theoretical learning to be put into practice under supervision.



Continued Professional Development (CPD)

We note that s921D(2)(a) of the Act “provides that a provisional relevant provider is not required to meet the statutory requirement to meet the continuing professional development standard (s921D(2)(a))”, as stated in the FASEA consultation paper⁸. However, the Explanatory Memorandum to the Bill clearly allows for the inclusion of CPD as part of the PY:

The CPD standard does not apply to provisional relevant providers. However, provisional relevant providers are required to complete training during their professional year and the body, in setting the requirements for the professional year, may determine that this training should include undertaking CPD courses. [Schedule 1, Part 1, item 12, paragraph 921D(2)(a)]⁹

It may be the case that a provisional relevant provider completes their year of work and training part way through a CPD year, thereby meeting the requirements for becoming a relevant provider. The body may develop special CPD requirements for these circumstances.¹⁰

As permitted by the Explanatory Memorandum and is in line with the intent of the PY, the FPA recommends the new adviser be required to maintain CPD as the appropriate manner for meeting the PY training element. The CPD requirements for new advisers should be the same as those for Relevant Providers.

Applying the CPD requirements to the PY will provide consistency within the framework and enable the appropriate training to be identified by the licensee, supervisor and new adviser, in line with the individual's Professional Development Plan, the needs of the business' client base, and the license authorisations.

While the FPA supports further education, we oppose FASEA's proposed requirement of 800 hours of additional education to be undertaken as part of the PY. Rather, new advisers should be required to meet the same CPD requirements as those set for Relevant Providers or could be included in a specific CPD policy for provisional advice providers set by FASEA.

Question S4.3

Do you agree that formal education should contribute to the training requirement of the proposed Professional Year? If not, why not?

FPA Response

While the FPA supports further education, it does not agree with the inclusion of education in the PY as it significantly detracts from the role of the PY as one element of the education and professional standards framework and ignores the role of the education standard and exam as pre-requisites for commencing the PY.

⁸ Page 5

⁹ 2.20

¹⁰ 2.21



As permitted under paragraphs 2.20 and 2.21 of the Explanatory Memorandum, and in line with the intent of the PY, the FPA recommends the new adviser be required to maintain CPD as the appropriate manner for meeting the PY training element. The CPD requirements for new advisers should be the same as those for Relevant Providers.

Please see response to question S4.2 above for a detailed discussion on this issue.

Section 5 - Competencies required for satisfaction of work and training standard

FASEA Proposal

FASEA proposes the following competencies expected to be demonstrated before conclusion of the work and training period:

- *Technical competence*
- *Client care and practice*
- *Regulatory compliance and consumer protection*
- *Professionalism and Ethics:*

A quarterly supervised approach is proposed to ensure a structured approach, this includes the following quarterly milestones:

- *Quarter 1: Client Observations and support Supervisor/Experienced Adviser*
- *Quarter 2: Supervised Client Engagement and Advice Preparation*
- *Quarter 3 and 4: Indirect Supervision of Client Engagement and Advice Preparation Further details in Section 5.*

Question S5.1

Do you agree with the competencies expected to be demonstrated before conclusion of the work and training period?

FPA Response

The FPA supports the competencies and outcomes proposed for the PY.

Question S5.2

Do you agree with the proposed quarterly supervised approach and indicative key activities aligned to each quarter?

The FPA supports a requirement for quarterly assessment of the new adviser undertaking the PY.

However, we do not agree with the prescriptive nature of pigeon holing the achievement of key activities into a particular quarter as it is too inflexible for businesses to implement and it ignores the typical career path of university graduate.



In many licensees, a university graduate would typically commence in an administrative or support services role, progressing to a paraplanner, advanced paraplanner, associate adviser, and eventually an adviser role. This process can take between 2 to 5 years depending on the individual, the business operations of the advice business, and the advice needs of their client base. During this time, activities the graduate undertake generally include back office activities, assisting with meeting preparation and documentation, and in some instances taking client minutes in client meetings, research, and assisting in developing advice strategies in the best interest of clients, for example, all under the direction of a senior adviser.

This process highlights that in reality, a new adviser will most likely graduate with an approved degree or graduate diploma, undertake the exam, and hold a junior role in an advice firm for a period of time, prior to the licensee deciding the new adviser is ready to be registered as a Provisional Relevant Provider for the purpose of undertaking their PY. Some may also hold a role within an advice practice prior to commencing their degree and study part time.

Therefore, many new advisers may have 2 to 3 years of appropriate experience prior to being registered as a Provisional Relevant Provider undertaking their PY. This experience is likely to be in line with the key activities listed in quarters 1 and 2 of the FASEA proposal.

The Explanatory Memorandum states:

There are two options for persons completing their professional year. First, they may undertake work and training for the purposes of the professional year when they do not hold any authorisation to provide advice. For example, the person may perform appropriate paraplanning or research work as determined by the body. Second, if the person undertaking their professional year has obtained a degree or higher qualification and passed the exam, they may be authorised as a provisional relevant provider.^[1]

This provides FASEA with the legal permission to allow the work experience undertaken prior to being registered as a Provisional Relevant Provider, as described above, to count towards the achievement of some of the requirements of the PY. While this will not shorten the required 12-month duration of the PY, it will allow flexibility for new advisers to be trained at a different pace, to spread out the work experience, and allow the PY to be more intensely focused on client related soft skill development and providing advice to clients under supervision.

Competencies achieved prior to the commencement of the PY could be demonstrated either by commencing the PY logbook during the pre-PY employment, or using job descriptions and performance reviews, for example.

As discussed above, the financial advice industry contains a diverse range of business models and advice service offerings for consumers. The operations of each business is unique. The ability for an individual to achieve key activities and competencies during the PY is therefore dependent on how the advice practice operates. For example, some advice businesses only provide strategic financial advice, while others provide financial product advice, or a combination of both, or specialise in a certain type of advice. Some advisers may have a large support team assisting them with research, documentation and paraplanning services, while other advisers may be more self-reliant. Hence there must be flexibility on the completion of key activities and the achievement of the competencies during

^[1] 2.28



the PY.

While we appreciate that FASEA has made a significant effort to develop a list of the key activities generic to all advice, we believe it is too prescriptive and inflexible to implement across the industry in an effective manner. This level of detail should be provided for industry as a guide only.

It also does not take into account that different people learn different competencies and skills at different rates. Some new advisers may very quickly gain strong skills on one area but not in another.

Ultimately the order and timing of the achievement of the key activities should be decided by the supervisor, new adviser, business manager and licensee, based on the business model, the operations of the business, the advice service it offers their clients, and Professional Development Plan for the new adviser.

The FPA recommends a quarterly assessment requirement based on the individual's Professional Development Plan for achieving the competencies of the PY.

The key activities proposed in the consultation paper should be provided for industry as a guide only.

Section 6 - Evidence collection

FASEA Proposal

FASEA proposes that evidence is collected using output and input-based approaches to measure competence. Further details in Section 6.

Question S6.1

Do you agree with the combination of approaches for the measurement of competence and the collection of evidence?

FPA Response

The FPA seeks clarity as to the difference between the:

- 'Program of PY activities' (as per page 8 of the PY consultation paper)
- Career Development Plan (as per page 9 of the PY consultation paper), and the
- Professional Development Plan (PDP) (as proposed in the CPD consultation paper).

The FPA recommend requiring three different plans adds complexity to the package of requirements under the education and professional framework and will create an unnecessarily onerous burden for all parties – advisers (new and existing), supervisors, businesses, ASIC, FASEA and Code Monitoring Bodies.

The FPA support the use of one single Professional Development Plan (PDP) for the purposes of both the PY and CPD requirements. This will ensure both the work experience and training, and CPD



requirements are aligned to the development needs of the adviser, and can be identified, tracked and logged in one document from the commencement of a new adviser's career. This will assist with the collection of evidence and portability of attainment of all elements of the education and professional standards framework, for all parties.

The PDP is commonly used within the industry.

The FPA supports the requirement for a PY logbook and a supervisor attestation of the accuracy of the logbook. A supervisor attestation of the PDP at the end of the PY should also be required.

Section 921F(5) and (6) of the Act allows a new adviser to have multiple supervisors during the PY. This is confirmed in 2.34 of the Explanatory Memorandum which states:

A provisional relevant provider may have multiple supervisors, either in succession or at the same time. A relevant provider is only responsible for a provisional relevant provider's engagement with a client if they were the supervisor for that particular engagement.
[Schedule 1, Part 1, item 12, subsection 921F(6)]

These provisions acknowledge that financial advisers may specialise in different types of advice resulting in multiple advisers servicing one client. They also recognise that from time to time supervisors may change roles/companies or be unable to fulfill their supervisory role for the full duration of the PY, resulting in the new adviser having multiple supervisors. Similarly, a new adviser may change organisations, again resulting in a change in the supervisor.

FASEA's PY policy should support this flexibility within the law by clearly stating that each supervisor is only required to provide an attestation relating to the period during which they were the new adviser's supervisor.

Question S6.2

Do you agree with the proposed periodic review between the Provisional Relevant Provider and the Supervisor?

FPA Response

Yes. The FPA supports the proposed periodic review of the new adviser's progress towards competence, between the new adviser and the supervisor. This should be reflected and recorded in the individual's Professional Development Plan (PDP) and a metric of quarterly competence metrics.

Section 7 - Exit Criteria

FASEA Proposal

FASEA proposes that a Provisional Relevant Provider and the Supervisor meet certain exit criteria requirements before the Professional Year can be declared complete. Further details in Section 7.



Question S7.1

Do you agree with the proposed exit criteria and the requirements of the Provisional Relevant Provider?

FPA Response

The FPA does not agree with the requirement to provide evidence of the completion of 800 hours of education. We oppose the inclusion of education requirements in the PY, beyond CPD.

The FPA believes that the requirement for a new adviser to provide 2-3 Ethical dilemmas, how they approached them and what outcomes were achieved, can be more appropriately managed through the inclusion of a CPD requirement for new advisers.

The FPA supports the proposed exit criteria that the new adviser provide a completed PY logbook to demonstrate completion of the PY.

The new adviser should also be required to provide the Professional Development Plan to evidence the attainment of the competency requirements of the PY and maintaining CPD during the PY.

Question S7.2

Do you agree with the proposed exit criteria and the requirements of the Supervisor?

FPA Response

Supervisor

The FPA supports a requirement for the supervisor to provide an attestation of the new adviser's completion of the PY however this should be based on the supervisor's review of the individual's achievement of the PY competencies as set out in the new adviser's Professional Development Plan, including maintaining CPD, and their PY logbook.

The supervisor's attestation should confirm the new adviser's competence to move to full Relevant Provider status or, alternatively, extend the period of the PY.

The FPA does not agree with the proposed requirement that the supervisor review and validate evidence of the hours completed by the new adviser. The FPA opposes a PY based on hours.



Licensee

It is vital that the licensee has overall responsibility and liability for approving the new adviser's completion of the PY and competence to therefore be listed as a relevant provider on the Financial Adviser Register (FAR).

However, the FPA does not agree with the proposed requirement that the licensee conduct an audit on 5 client files to assess compliance with regulatory and legal requirements. The PY requirements under the law do not permit the new adviser to provide advice to a client. Therefore, the licensee would be conducting an audit on the supervisor's advice, not the new adviser's advice.

An alternative requirement could be for the licensee to assess the advice prepared by the new adviser with the final advice provided to the client by the supervisor to identify any changes in the advice and therefore the level of competency of the new adviser. This assessment could include feedback from the supervisor provided to the new adviser about the advice.

The FPA supports the proposed requirement that the Licensee reviews that the new adviser has completed all relevant work and training requirements for the PY.

Section 8 - Potential resources and templates

FASEA Proposal

FASEA proposes a number of resources and templates to guide Provisional Relevant Providers, Supervisors and licensees, these include:

- *Quarterly Activity Guide*
- *PY Logbook*
- *Supervisor Attestation Template*

Further details in Section 8.

Question S8.1

Do you believe that templates may be useful and could be used as a guide only?

FPA Response

The FPA recommend FASEA must (not 'may') provide resources for industry to ensure the consistent application of the PY requirements. This is vital to achieve the objectives and outcomes of the PY, and would help to ensure consistency, portability and quality of the PY for new advisers.

The availability of resources are critical to ensure consistency. For example, the use of a template could ensure a new adviser is not disadvantaged if a supervisor changes during the new adviser's PY. Consistent resources would overcome this issue and reduce the need for both the new adviser to prove they have met the requirements, and the need for the former and new supervisors to prove the new adviser has been assessed as completing the requirements. Further, guidance in the form of



templates can ensure consistency in the sign off of quarterly of activities and competencies to key learning outcomes.

The FASEA guides should be available in digital / online form if possible.

While it vital the FASEA commit to providing these resources, these FASEA resources should be provided as guides only and the use of them should not be mandated or imposed as criteria for the PY.

[Question S8.2](#)

Are there templates in respect of any other matters that would be useful?

FPA Response

The FPA suggest a Professional Development Plan template that covers the requirements of the PY and CPD may also be helpful.