



FINANCIAL PLANNING
ASSOCIATION *of* AUSTRALIA

7 December 2018

Mr Stephen Glenfield
Chief Executive Office
Financial Adviser Standards and Ethics Authority

Email: consultation@fasea.gov.au

Dear Mr Glenfield

RE: Continuing Professional Development Legislative Instrument

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 Legislative Instrument for Continuing Professional Development.

The FPA recognises that continuing professional development (CPD) is an integral part of any profession. CPD allows practitioners to stay up to date with new developments in the profession and ensure they are able to continue providing high quality services to their clients.

CPD has been a long-standing requirement for FPA members and through the Tax Practitioners Board for registered tax (financial) advisers since 1 July 2014. In creating this minimum standard, FASEA has an opportunity to bring consistency in CPD requirements across the profession and also drive a better quality of offering in CPD activities available to practitioners.

The FPA would welcome the opportunity to discuss with the FASEA Board the issues raised in this 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

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.



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Continuing Professional Development Legislative Instrument

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

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CRITICAL OUTSTANDING ISSUE

Recognition of formal relevant education

Under FASEA's proposed education standard, all existing providers must complete between one and eight units or courses of study at the graduate diploma or AQF8 level before 2024. Units at this level typically require around 120 hours of study over a period of one semester. The FPA remains concerned about the treatment of formal study under FASEA's proposed continuing professional development (CPD) standard.

FASEA is proposing to limit recognition of formal relevant education, such as units of study completed to achieve the proposed education standard, to 25 hours per year out of a minimum requirement of 40 hours of CPD activities. The practical effect of this limit is that many providers will be required to complete an additional 15 hours of CPD activities on top of 240 hours of formal study over the course of a year.

This is an unreasonable additional burden on providers who are already managing the demands of full-time work, study and exam preparation to satisfy FASEA's new standards and maintaining a healthy personal and family life.

The FPA recommends that the 25-hour limit on formal relevant education for CPD be removed.

Transition arrangements

The FPA is concerned about the timing of the commencement of CPD obligations, particularly where they involve establishing new systems, policies or practices by providers or licensees. Compliance with these obligations will take some time to roll-out and, given the CPD standard has yet to be finalised by FASEA, it may not be possible from 1 January 2019.

The FPA recommends that new CPD obligations for providers and licensees commence no earlier than 1 July 2019, which reflects the start of the existing CPD year for many providers and will give them and their licensees six months to develop new CPD policies, plans and systems.



SECTION 1 – LEGISLATIVE INSTRUMENT AND EXPLANATORY STATEMENT

5 CPD policies

The FPA supports the requirement for each licensee to adopt a CPD policy. This requirement will provide a standardised framework for managing CPD across the profession, while allowing licensees to tailor their approach to their existing business model and CPD needs. It remains important that licensees are able to adopt a compliant CPD policy from a third-party, such as a professional association. This will reduce the cost of compliance, particularly for small licensees.

6 Relevant providers' CPD plans

The FPA supports the requirement for a relevant provider to prepare and implement a CPD plan for each year. The FPA agrees that this requirement should provide enough flexibility to allow relevant providers to transition from legacy systems that they currently may use to manage CPD activities. The FPA also supports the use of suggested templates to assist in driving a uniform and best-practice approach to planning CPD activities in the profession.

7 Qualifying CPD activities

The FPA supports the requirements for qualifying CPD activities. Given the task of assessing whether a CPD activity qualifies will fall to providers and licensees, it is important that FASEA provides further guidance on each requirement and consults with the profession on this guidance. This will assist providers and licensee to self-assess potential CPD activities and promote consistency in the application of the CPD standard across the profession.

The FPA supports a broad interpretation of “activity” when considering CPD, noting that there is a range of ways in which providers can get information and learn about professional topics, such as through digital delivery and multimedia.

8 Approval of CPD activities by responsible licensees

The FPA supports the requirement for licensees to approve of 70 per cent of a provider's CPD activities.



9 Requirements for CPD

Number of hours for each CPD year

The FPA supports using an hours-based system to measure CPD activities for advisers. This reflects existing requirements for the Tax Practitioners Board and is consistent with CPD arrangements in other professions.

The FPA notes that it is important to provide advisers with enough flexibility to undertake CPD activities when those activities are available and when the adviser's business needs allow it. The FPA's existing CPD policy requires advisers to complete 120 hours of CPD over three years, with a minimum of 35 hours each year. This arrangement has the effect of giving advisers flexibility to undertake a small amount of their annual CPD hours in an adjacent year if it is more convenient to complete it in that year. It ensures advisers are able to select the best CPD activities for their needs, rather than the CPD activities that most conveniently fit into their calendar.

The FPA recommends that FASEA builds a similar degree of flexibility into its CDP standard by allowing advisers to complete up to ten hours of their annual CPD requirement in an adjacent year.

The FPA notes the requirement to complete a minimum number of hours of CPD activities within each category reduces flexibility and the ability of advisers to tailor their CPD activities to their personal needs. The minimum number of hours currently allocated to each CPD category does not reflect the speed of change in these areas – for example, technical competence (5 hours) is likely to require more frequent updates than professionalism and ethics (9 hours).

The FPA supports the requirement for licensees to approve of 70 per cent of a provider's CPD activities.

11 Career breaks

The FPA supports the requirement for a provider who has not been practicing for two or more years to consider the gaps in their competence, knowledge and skills and address these in their CPD plan before resuming practice. It is important that this requirement gives providers the flexibility to tailor their CPD activities to the specific needs generated by their career break, which may have been short or long and may have occurred during specific regulatory or technical developments in the profession.

12 Record-keeping

The FPA supports the requirement to maintain records of a provider's CPD activities but notes that it would be useful to have further guidance on what evidence is necessary to establish the outcome of a CPD activity under subsection 12(1)(d). It is important that the record keeping requirement does not create an unreasonable administrative burden on providers.