



31 August 2018

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

Email: [consultation@fasea.gov.au](mailto:consultation@fasea.gov.au)

Dear Dr Brimble,

## **SMSF ASSOCIATION SUBMISSION ON PROPOSED CONTINUING PROFESSIONAL DEVELOPMENT REQUIREMENTS**

The SMSF Association (SMSFA) welcomes the opportunity to make a submission on the Financial Adviser Standards and Ethics Authority's (FASEA) proposed continuing professional development (CPD) requirements.

The SMSFA supports introducing a consistent CPD requirement across the financial advice sector. We believe that ongoing CPD is essential to advisers having up to date knowledge and constantly improving skills to service their clients. While we are supportive of FASEA's goal and the legislative requirements for CPD we believe there are some issues with FASEA's CPD requirements which are discussed below

### *3.1. Do you agree with the proposed requirement for 50 hours of Continuing Professional Development (CPD) per year, 70% of which should be approved by the licensee? If not, why not?*

The SMSFA has concerns with the proposed requirement for 50 hours of CPD per year.

Currently, ASIC does not legislate a minimum hourly requirement that advisers must undertake each financial year because the time required will vary according to the adviser's activities and level of experience. Nevertheless, they require licensees to nominate an appropriate figure, based on the adviser's activities and experience. Our members have indicated that this has typically been set at 20-40 hours of CPD.

Professional bodies, such as ourselves require a minimum number of hours or points that need to be satisfied by our members. We currently set our CPD requirement at 40 points per year or 120 points over three years. A point is broadly akin to one hours' worth of CPD. We note that 40 hours per year is a consistent standard set by key professional associations operating in the financial advice sector (e.g. SMSFA, FPA, AFA, CPA, CAANZ).

We believe that 40 hours is an appropriate standard to ensure that financial advisers are adequately maintaining and extending their professional capabilities, knowledge and skills. If this is applied



across the financial advice sector it will ensure that FASEA is raising education and standards in the industry.

We encourage FASEA to adopt this standard as it provides a consistent and parallel approach to CPD for those individuals who have dedicated themselves to increasing their educational standards by joining a professional association.

Furthermore, 40 hours of CPD provides a suitable basis for those financial advisers who are operating under a limited licence and offering SMSF advice. Many of our accountant members have been operating under this limited licence or as an authorised representative with limited authorisations and have continued to meet their required CPD requirements without concern.

However, while there may be overlap between CPD requirements under FASEA and the CPD required by other professions such as accounting, the proposal will mean individuals will have to dedicate up to 50 hours to financial advice when it may only be ancillary to their business model. Alternatively, it may be problematic for an SMSF specialist adviser who only offers SMSF advice to reach a legislated minimum of 50 hours relating specifically to SMSFs and their role as well as being new and relevant to them, particularly in years without legislation change. This provides support for the adoption of 40 hours, as it is not an unreasonable change from the 40 points we deem appropriate for a specialist SMSF adviser.

We also note the proposal paper does not justify or provide reasoning why 50 hours of CPD should be the appropriate standard. We recommend that FASEA should attempt to explain the rationale for its standards rather than arbitrarily set standards.

If FASEA does require 50 hours of CPD per year, we strongly recommend that flexibility is ensured to allow for individuals to continue to meet their requirements by undertaking 150 hours over three years. The triennium approach is common among professional associations and gives professionals greater flexibility to meet their CPD obligations.

### *3.2. Do you agree with the proposed Licensee approved CPD approach and the proposal for a published CPD policy? If not, why not?*

The SMSFA believes the proposed licensee approach while similar to current practices may cause a fundamental shift in attitudes by licensees.

Currently, licensees must ensure that their representatives are adequately trained and competent to provide financial services. However, there is currently no official framework for approving CPD, rather the assessment of training is left flexible.

Furthermore, professional associations play a key part in the offering of CPD through various courses, training, education events and resources. This includes a role in approving a certain amount of CPD for the purposes of continued membership with the association.

FASEA's approach of allowing licensees to determine what CPD their advisers must undertake through an accreditation process may make it difficult for professional associations to enforce CPD requirements on their members if licensees do not choose to accredit the association's CPD. This



would damage the role of professional associations in being standard setters and improving the quality of advisers. This is especially the case for associations such as the SMSFA which is a specialist association and has a narrower CPD focus than what most licensees will have.

Further, the power licensees have to accredit CPD which will drive advisers to those courses/events may result in conflicts of interest between licensees and CPD providers. Licensees, especially large ones, may look for 'best price' offerings and group deals with CPD providers rather than seeking quality. They could use their market power of having larger adviser populations to drive deals based on price. This will have two detrimental impacts:

- The CPD market may shrink and be dominated by entities that have the scale to make discounted offerings to licensees.
- The quality and diversity of CPD offerings may reduce, with scale being the driving force rather than content and expertise.

Furthermore, it may be a burden on licensees to have processes to approve bespoke or niche CPD offerings which may force them to look for administratively simpler and easier approvals which may restrict offerings by smaller players.

Additionally, inconsistent CPD approval policies across the sector may encourage advisers to 'licensee shop' for licensees that have the most beneficial CPD policy.

Therefore, we believe that FASEA should issue detailed guidelines regarding how licensees accredit CPD. This will be essential for consistency and clarity across the industry. We recommend that CPD which is accredited by a professional association should be included in FASEA's guidelines as approvable CPD by a licensee. This will ensure that the work that is already occurring by associations in providing accreditation for CPD material does not need to be re-worked by each individual licensee leading to red-tape and inconsistencies.

### *3.3. Do you agree with the proposal to develop and maintain a Professional Development Plan? If not, why not?*

We note that FASEA propose that a relevant provider 'may' develop and maintain a Professional Development Plan (PDP) on a continuing basis.

The aim of the PDP is to identify areas for improvement in competence, knowledge and skills and the professional development proposals for making those improvements.

We have concerns that a PDP, while encouraging best practice, will not be undertaken or utilised because it may be seen as an additional compliance point to the relevant provider and be of little value.

However, we are currently unaware of the prominence of annual training plans that ASIC explain 'should' be developed for each adviser in its Regulatory Guidance 146 at paragraph 125 to ensure that their representatives are adequately trained and competent.



*4.1 Do you agree with the proposal for an hours based system of CPD calculation? If not, why not?*

We agree with the proposal for an hours based system of CPD calculation.

*4.2 Do you agree with the types of CPD activities proposed? If not, why not?*

We agree with the types of CPD activities proposed by FASEA.

We also support the maximum hours for reading capped at 7.5 hours (15% of hours) if approved by the licensee to be relevant to financial advice.

*4.3 Do you agree with the proposed evidence and record keeping requirements? If not, why not?*

We agree with the proposed evidence and record keeping requirements for relevant providers and licensees. The requirements are not burdensome and are appropriate to ensure that CPD is being undertaken.

We also agree that a digital solution is essential to track CPD activities.

*4.4 Do you agree with formal education as a contribution to the CPD requirement? If not, why not?*

We agree that formal education should contribute to the CPD requirements. It would be remiss if formal education, which is crucial in lifting advice standards, would not contribute to a relevant provider maintaining and extending their professional capabilities, knowledge and skills.

We also support its capping at 25 hours. This ensures that an individual's formal education, which is usually targeted at a specific area, does not encompass the entire CPD requirement and requires them to undertake CPD across a range of activities and categories.

*4.5 Do you agree with the CPD framework which provides examples of the different categories of learning activity and the rules for hours accrual in each category? If not, why not?*

We are broadly happy with the proposed categories for CPD that relevant providers must undertake annually.

If minimum hours are proposed in the final design, we have concerns with the amount that is allocated to technical competence. Noting that individuals can complete 20 hours of 'other' CPD, of which four is approved, we believe that the prescribed minimum for technical competence should be greater than five hours per financial year. Demonstrating technical competence is a key aspect of being a professional and given the amount of technical knowledge required in the financial advice provision, the proposal is inadequate.

We therefore recommend that technical competence is allocated 10 hours of CPD per annum with seven hours of this being approved CPD. This ensures that advisers are required to utilise a portion



of their 'other' time as approved technical content which we believe is essential to the provision of financial advice, especially SMSFs.

*5.1 Do you agree that templates are useful and should be used as a guide only?*

We agree templates are useful as a guide for relevant providers and licensees to utilise in completing their CPD.

The CPD Activity Report we believe will provide the most use for relevant providers and aim to provide a standardised report that is applicable across all licensees.

If you have any questions about our submission please do not hesitate in contacting us.

Yours sincerely,

A handwritten signature in black ink that reads 'John L. Maroney'. The signature is fluid and cursive, with the first letters of 'John' and 'Maroney' being significantly larger and more prominent.

John Maroney  
CEO  
SMSF Association

**ABOUT THE SMSF ASSOCIATION**

The SMSF Association is the peak professional body representing SMSF sector which is comprised of over 1.1 million SMSF members who have \$750 billion of the funds under management and a diverse range of financial professionals servicing SMSFs. The SMSF Association continues to build integrity through professional and education standards for advisers and education standards for trustees. The SMSF Association consists of professional members, principally accountants, auditors, lawyers, financial planners and other professionals such as tax professionals and actuaries. Additionally, the SMSF Association represents SMSF trustee members and provides them access to independent education materials to assist them in the running of their SMSF.