



1 February 2022

Assistant Secretary
Advice and Investment Branch
The Treasury
Langton Crescent
PARKES ACT 2600

Email: FAStandards@treasury.gov.au

Dear Sir/Madam,

SMSF ASSOCIATION SUBMISSION – POLICY PAPER: EDUCATION STANDARDS FOR FINANCIAL ADVISERS

The SMSF Association welcomes the opportunity to provide this submission in response to the Government’s policy paper: Education Standards for Financial Advisers. Two of the core components of the Association’s mission are professionalism and integrity. This is underpinned by our core beliefs which includes education and accreditation for advisers operating in the SMSF sector.

We acknowledge the practicalities of not proceeding with a model of accrediting individual degrees, courses, or subjects. However, the adoption of a period of experience only pathway to satisfy the education requirements does not meet the original policy intent of enhancing professional standards and moving financial advisory services towards becoming a true profession.

Any review or amendments of the education standards undertaken now or in the future should have at its core the following objectives:

1. Upholding the standards of a profession; and
2. Maintaining a consumer centric framework that considers the needs and protection of consumers of financial services

We acknowledge the importance of retaining experienced financial advisers in the industry. As an alternative to satisfying FASEA’s existing education requirements by 1 January 2026, we propose that individuals who have 10 or more years of full-time experience as a financial adviser in the last 12 years, be given the option of demonstrating that they have the necessary core and individual competencies to provide advice in the sector in which they operate.

We note Commissioner Hayne’s comments in his final report published on 4 February 2019:

...prevention of poor advice begins with education and training. Those who know why steps are prescribed are more likely to follow them than those who know only that the relevant manual says, ‘do it’.



*I believe that, as they come into effect, the new education requirements will improve the quality of advice that is given, and improve the way that financial advisers manage the conflicts of interest with which they are faced.*¹

Proposed Experience Pathway

Years of service or the number of years on a register alone are not an appropriate measure of skill, knowledge, or capability. An alternative model is needed to allow experienced advisers to have their competencies assessed or allow education providers to use existing recognition of prior learning (“RPL”) frameworks.

Assessment of Competencies

Qualifying advisers with the requisite experience should be able to apply to have their competencies and capabilities in relevant knowledge areas assessed by a tertiary education provider. As an alternative to the proposed experience pathway, this model could be available for advisers with at least 10 out of 12 years’ experience as of 1 January 2019 who:

1. Were on the Financial Advisers Register at the relevant time; and
2. Are unable to demonstrate RPL from prior tertiary studies as required by tertiary education providers

Recognition of Prior Learning

The introduction of the FASEA education standards saw an extremely rigid education framework adopted including a strict and limited framework of providing RPL. Tertiary institutions are required to comply with strict conditions imposed by FASEA rather than apply the established standards for the application of RPL under the Australian Qualifications Framework (“AQF”) published by the Australian Qualifications Framework Council or guidelines set by the Technical Education and Quality Standards Agency (“TEQSA”).

The AQF Council defines RPL as:

*Recognition of prior learning is an assessment process that involves assessment of an individual’s relevant prior learning (including formal, informal and non-formal learning) to determine the credit outcomes of an individual application for credit.*²

TESQA guidance’s notes:

Credit through recognition of prior learning is granted only if:

- a) *students granted such credit are not disadvantaged in achieving the expected learning outcomes for the course of study or qualification, and*
- b) *the integrity of the course of study and the qualification are maintained*³

¹ Commonwealth of Australia, 2019, *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry*, Final Report (4 February 2019); Volume one, section 3.2.1

² Australian Qualifications Framework Council 2013, *Australian Qualifications Framework (2nd Edition)*

³ TEQSA, 2019, *Guidance Note: Credit and Recognition of Prior Learning (v1.1)*



TESQA also states:

*This process is grounded in evidence-based academic judgement about equivalence of learning.*⁴

The application of RPL under the FASEA model and what is proposed is inconsistent and depends on the entrant's pathway or experience. RPL should be available to be applied by the education providers consistently for all industry participants, regardless of their pathway, and in line with established, strict standards and processes that apply within the tertiary education sector. Doing so provides clarity and consistency.

Consideration should be given to previous education, including those with relevant degrees and relevant professional association certification.

The requirement for education undertaken to be at an AQF level 8 or 9 should be preserved. To allow for the appropriate structuring of future courses or subjects, and to allow for an appropriate assessment and allocation of RPL, a carefully considered, clearly set out framework is vital, including:

- a. Industry relevant pathways, addressing the needs of different industry participants
- b. Clearly defined knowledge areas underpinned by a framework of capabilities and competencies
- c. Recognition of the role of professional associations and industry certification
- d. Development of (a) and (b) to be via a working group of key stakeholders including the education sector and professional associations

This is essential in providing clarity and certainty for all industry participants, education providers and ASIC as regulator, including the operation of ASIC's Financial Services and Credit Panel ("FSCP").

We strongly encourage the Government to engage with the professional associations and educators when designing the pathways, framework, and competencies.

Education Framework - Recognising Needs of Different Industry Participants

The current education standards work on the premise that all industry participants are providers of full-service or comprehensive financial advice. The industry has a number of different types of 'advisers', including those who provide limited advice service, such as risk, superannuation, self-managed superannuation, or stock broking.

The education needs of each cohort are niche and considerably different, whereas the current model seeks to shoehorn all industry participants into a single cohort model that is not fit for purpose. We strongly encourage the Government to work with industry and the professional associations to develop an appropriate framework that meets the underlying policy intent.

Any model implemented needs to consider the application of RPL as discussed previously, and set out relevant degree, non-relevant degree, and no degree pathways as well as education standards for new entrants.

As a foundation, a common core should apply to all sectors. Where appropriate, RPL should be permitted. In addition to the core foundations, prescribed individual competencies should be

⁴ Ibid



determined by the individual adviser's role and/or the sector in which they operate. The relevant minimum frameworks should be set out with clearly defined knowledge areas, competencies, and capabilities.

We support the model proposed by the Financial Planning Association (refer to Annexure A), acknowledging the possible addition of SMSF Advice as a separate and distinct individual competence and that, as proposed, it would apply to advisers providing full financial advice services. It provides a clear framework and model on which to build those needed for other industry participants.

International Degrees

Those that have had their international degrees assessed by FASEA, should have the opportunity to elect to complete their education pathway under the pathway approved under FASEA, have their competencies assessed or to apply for RPL with an education provider.

This group requires careful consideration given the significant work already undertaken by advisers in engaging with FASEA to have their qualifications assessed, and the assessment of individual qualifications already undertaken by FASEA. Impacted advisers have engaged in this extensive process, which was for some a costly process, in good faith.

Professional Year Standard

Whilst we support and encourage further education and specialisation, we do not support changing the Professional Year (PY) standard to require additional graduate certificate or diploma level education be undertaken to broaden the relevant fields of study or include a specialisation.

Whilst we support measures that require or encourage specialisation, the PY program is not the appropriate point in time. This cohort already needs to be degree qualified and is required to prepare for and sit the prescribed financial adviser exam. As new entrants to the sector, there is a need for a strong focus on obtaining essential practical work experience first, completing the PY program before embarking on additional study or specialisation.

Further study can be undertaken as part of the 'advisers' ongoing development and professional accreditation, in line with their chosen career. Further education should be strongly encouraged. That education should be at a graduate certificate level or above and could include tertiary education or the completion of industry specific certification programs such as the Certified Financial Planner (CFP) offered by the Financial Planning Association or SMSF Associations *SMSF Specialist Advisor* (SSA™) designation. The SSA program is accredited at an AQF 9 level.

The PY framework is however in need of broader review to ensure that it is fit for purpose and caters for the broad range of 'advisers', which include but are not limited to full service financial advisers. The PY structure and education requirements should be reflective of the candidate's field and role.

Specialist Advice Standards

The SMSF Association has consistently advocated for and promoted the need for strong education and advice standards. The need for specialisation and specialist education sits at the heart of our corporate mission and beliefs. Given the risk of harm to consumers, we have consistently called for professional standards that require specialist accreditation.



We would support any measure that seeks to increase the education standards required for SMSF advisers. Raising of education standards of SMSF advisers will increase their knowledge relating to specific and complex legislation. It would also discourage advisers who wish to give SMSF advice but have not undertaken specialist SMSF training.

Introducing an SMSF education requirement, would also limit advisers who are licensed but have poor knowledge of SMSFs and limited recourse borrowing arrangements from advising on the product. In turn it then would discourage property spruikers from entering the SMSF advice market as the education requirement could be too high.

Whilst education cannot prevent poor and misleading advice, enhanced education requirements, together with the implementation of other policy measures will provide a safeguard for SMSF members from advisers who potentially lack the required knowledge to provide the specialist advice needed for SMSFs.

Furthermore, a requirement to seek specialist SMSF advice would restrict the current practice we see in 'one-stop property shops' which the ASIC Report 575 notes as a detrimental path to inappropriate limited recourse borrowing arrangements.

ASIC's Report 575 (2018) also stated:

We believe these results indicate a need to increase the education and training requirements for advice providers who provide personal advice on SMSFs.

To improve the quality of SMSF advice, we will be engaging in discussions with FASEA about a specific SMSF qualification for advice providers wishing to provide SMSF advice.

The Productivity Commission noted ASICs stated position above and supported specialist training for those advising on SMSFs.⁵

We note that no guidance or framework was produced by FASEA for consultation prior to its cessation, despite the urging of ASIC and the Productivity Commission as far back as 2018.

If you have any questions about our submission, please do not hesitate to contact us, and we thank you again for the opportunity to provide this submission.

Yours sincerely,

A handwritten signature in black ink that reads 'John L. Maroney'.

John Maroney
CEO
SMSF Association

⁵ Productivity Commission 2018, *Superannuation: Assessing Efficiency and Competitiveness*, Report no. 91



ABOUT THE SMSF ASSOCIATION

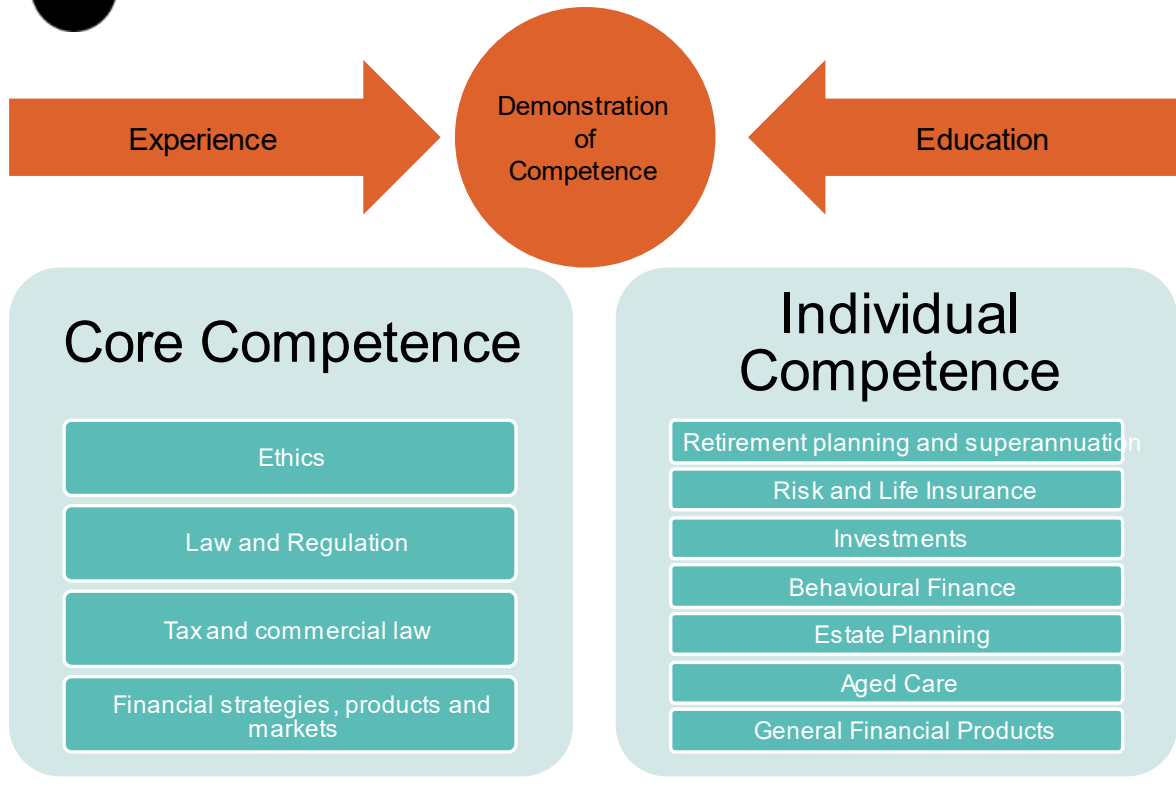
The SMSF Association is the peak body representing SMSF sector which is comprised of over 1.1 million SMSF members who have more than \$700 billion of funds under management and a diverse range of financial professionals servicing SMSFs. The SMSF Association continues to build integrity through professional and education standards for advisors 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.

ANNEXURE

Proposed Education Framework



FPA EDUCATION FRAMEWORK PROPOSAL



Source: Financial Planning Association (2022)