



14 December 2018

Financial Adviser Standards and Ethics Authority

By email: consultation@fasea.gov.au

Dear Colleagues,

Degrees, Qualifications and Courses Standard – Legislative Instrument Comments by Stockbrokers and Financial Advisers Association

I refer to the Draft Legislative Instrument and Explanatory Memorandum relating to the Relevant Provider Degrees, Qualifications and Courses Standard (“the Education Standard”) which were released for comment on 20 November 2018.

The Stockbrokers and Financial Advisers Association (“SAFAA”) provides the comments set out below on the Draft Legislative Instrument and Draft Explanatory Memorandum. We also refer where relevant to the FPS001 Education Pathways Policy and FPS002 Program and Provider Accreditation Policy released with those documents.

Summary

- The latest version of the Education Standard does little to address the serious issues that SAFAA identified in our Submission in relation to the previous version of the Education requirements issued by FASEA for comment in March 2018.
- Stockbroking is not the same as financial planning. The type of advice given by a traditional stockbroker is in many respects very different to the broader advice and considerations that are involved in a financial plan. The skills and knowledge requirements that are relevant to stockbroking are likewise not the same as for

- financial planning, however the Education Standard fails to reflect this. The substance and all the nomenclature of the Education Standard is written from the perspective of financial planning, and ignores not just stockbroking, but also other specific sectors of financial advice which may also differ from financial planning.
- In relation to the pathways for existing advisers, the Education Standard needs to provide more appropriate recognition of the existing industry qualifications and continuing professional development that have been attained by experienced advisers. The latest version of the Education Standard does not do this.
 - The pathway for Existing Advisers with a Non-Relevant Degree or with No Degree should permit an AQF Level 8 Graduate Certificate of 4 units as meeting the standard. No justification has been provided by FASEA for insisting on the Graduate Diploma as the only pathway available (other than the bachelor's degree).
 - As previously advised to FASEA, there is a real risk that the percentage of stockbrokers who do not meet the Education Standard and who will exit the financial advice industry will be in the order of 30%, and if this eventuates, the impact on the availability, quality and cost of financial advice to retail clients will be considerable. This will not be in the best interests of clients, particularly stockbroking clients, who have not generated any significant levels of complaint in recent years.

Core Knowledge Areas

We refer to the 11 Core Knowledge Areas set out in FPS002 and note there is no accompanying document which specifies the content of the 11 Core Knowledge Areas. We have only been provided with the title of the Core Knowledge Areas.

Consistent with our arguments to date, these Core Knowledge Areas have been prepared entirely from the perspective of Financial Planning. A number have little relevance to advice provided by stockbrokers.

SAFAA highlights the areas of:

- Superannuation and Estate Planning,
- Estate Planning,
- Insurance Planning and Risk Management,
- Commercial Law, and
- Financial Plan Construction (Capstone).

Depending on the content (details of which we currently do not know), not all the Taxation and Investments areas may be relevant either.

In addition, there are some areas of knowledge that may not be included in the Core Knowledge areas identified, that are relevant to the practice of stockbroking, and that warrant being considered in the list of Core Knowledge for this industry. It is difficult to be certain without more detail about the content of the Core Knowledge Areas.

These are important issues relevant to consideration of which bachelor's Degrees should be considered as approved degree qualifications for a stockbroker. They are also relevant to the consideration of which Bridging Courses or other Approved Coursework warrant being approval by FASEA.

SAFAA offers to work with FASEA to identify a revised list of Core Knowledge areas that pertain to the Stockbroking industry.

New Entrant Education Pathway

SAFAA does not have any issues with the latest drafting of the Bachelor's Degree/Degree equivalent standard for New Entrants, subject to our comments above regarding the menu of Core Knowledge areas that are relevant to the stockbroking sector.

Bridging Courses

SAFAA acknowledges that that there will be a knowledge gap between what is achieved in formal course work CPD, vocational experience and the knowledge areas prescribed by FASEA. Some of those stated knowledge areas such as Anti-Money Laundering and requirements of the Tax Practitioners Board are already known and accounted for adequately within the exiting CPD framework, particularly for our members who are already registered as Tax (Financial) Advisers.

Accordingly, we question why some of these should require further study and assessment. This would be more efficiently achieved by inclusion in the National Exam. Again it is difficult to make comment on this as we are not aware of the examinable content of the exam.

Approved Degree List

The list of approved Institutions and Courses is another example of a bias in focus towards financial planning, and largely do not reflect the qualifications that exist which satisfy the knowledge areas required for other investment advisers, particularly retail stockbroking.

Existing Adviser Pathways

The provision for credit for Prior Learning is welcomed. In particular, the potential eligibility for RPL in relation to education undertaken for the process of attaining an approved professional designation is very appropriate. However, the permitted maximum of 50% is questioned. If a subject area has been covered in prior coursework, CPD or vocational experience, then surely it should be relevant.

We note that FPS001 specifically refers to the Advanced Diploma of Financial Services/Planning, which is another instance of the financial planning flavor of the Policy documents. The Stockbrokers and Financial Advisers Association Professional Diploma in Stockbroking is a comparable industry Diploma qualification which should be entitled to no less than the equivalent level of credit as the ADFS/P. Additionally, many of our members have similarly completed other industry derived courses such as the Graduate Certificate or Graduate Diploma in Applied Investment and Finance facilitated by the former Securities Institute of Australia (now FINSIA).

No justification has been given by FASEA for maintaining the requirement that the only Pathway for an Existing Adviser without a Degree is a Graduate Diploma of 8 units (or for an Existing Adviser with a non-relevant Degree, a Graduate Diploma of 7 units). SAFAA maintains its strong submission that FASEA should allow an AQF Graduate Certificate of 4 units with credits for Prior Learning as a sufficient qualification that meets the education standard for an existing, experienced adviser without a degree.

CONCLUSION

We would welcome the opportunity to discuss any issues arising from our submissions on this issue.

We look forward to working with you to develop appropriate educational standards that address the knowledge and skills that are relevant to stockbroking advice.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Andrew Green". The signature is written in a cursive style with a large initial 'A' and a long horizontal stroke at the end.

ANDREW GREEN
Chief Executive