

21 July 2021

Email: consultation@fasea.gov.au

Mr Stephen Glenfield
CEO
Financial Adviser Standards and Ethics Authority
133 Castlereagh Street
SYDNEY NSW 2000

Dear Stephen

DRAFT EXAM THREE MONTH REGISTRATION REQUIREMENT RELIEF AMENDMENT

The Stockbrokers and Financial Advisers Association (SAFAA) is the professional body for the stockbroking and investment advice industry. Our members are Market Participants and Advisory firms that provide securities and investment advice, execution services and equity capital-raising for Australian investors, both retail and wholesale, and for businesses. Practitioner Members are suitably qualified professionals who are employed in the securities and derivatives industry.

SAFAA strongly supports the proposed exam three-month registration requirement relief amendment that will allow all candidates who have been unsuccessful at any prior sitting to sit the November FASEA exam.

The amendment is an important adjunct to the government's recent announcement that it will allow advisers who have sat and failed the exam at least twice a further nine months to pass. The timing of this announcement meant that advisers who had not yet sat the exam had only 24 hours to enrol in the July sittings to take advantage of this change. Furthermore, as you will be aware, the recent stay-at-home orders in NSW and lockdown in Victoria caused some advisers to defer sitting the July exam for which they were registered rather than utilise the proctoring system, or in the case of NSW attend the physical exam location wearing a mask.

Waiving the three-month rule for the November exam will mean that those advisers who missed out on sitting the July exam can still avail themselves of the opportunity to sit both the September and November exam – and if they fail both, to sit again next year.

Passing the exam is not easy for many advisers. We continue to receive feedback from our members that experienced stockbrokers and investment advisers who have put effort and time into preparing for it have frequently failed it at their first and even second sitting. They advise us that it is because so many questions are geared to financial planning and that even while the exam is not meant to be about technical detail, the focus on matters on which they do not provide advice (insurance, Centrelink benefits, aged care etc) derails them and causes them undue stress. FASEA provides only broad feedback on the areas of the exam that the adviser failed and so these advisers have a limited idea what they need to study further in order to achieve success in a second exam sitting. Also, as you are aware, some of our older members advise us that they find the online exam very challenging, given they are one-finger typists and not accustomed to working on computers. The online framework provides another level of stress which makes sitting the exam challenging.

Disquiet about the exam, its emphasis on financial planning and the lack of adequate feedback on results has also meant that many stockbrokers and investment advisers have held back from sitting the exam and are now part of the cohort who have enrolled this year.

Our members' experience is backed up by the numbers. While 14, 850 advisers have so far passed the exam, representing 74% of the advisers on the Financial Advisers Register, 26% of advisers are still to pass the exam. With pass rates stalling at 69% and a declining pass rate for second sitters of 65%, the waiver of the three-month rule for the November exam is a sensible and long overdue change to the exam regime.

And of course, with large parts of the Australian population again subject to lock-down and disruption, further opportunities to sit the exam are both welcome and necessary.

An important aspect of this issue is the impact that large numbers of advisers being forced to leave the industry will have on the availability and affordability of advice for consumers. We have pointed out to government and regulators for some time the impact of the exam on adviser numbers and the need for flexibility to be provided to enable advisers to sit the exam. We hope that the three-month waiver, together with the exam extension, will be a first step towards assisting advisers to prepare for and pass the exam, avoiding an exodus of advisers leaving the industry and enabling retail clients to continue to receive good quality advice from their trusted advisers.

If you require additional information or wish to discuss this submission in greater detail please do not hesitate to contact SAFAA's policy manager, Michelle Huckel, at michelle.huckel@stockbrokers.org.au.

Kind regards

A handwritten signature in black ink, appearing to be 'JF' with a stylized flourish and the letters '6x' below it.

Judith Fox
Chief Executive Officer