



31 July 2018

Dr Mark Brimble  
CEO  
Financial Adviser Standards and Ethics Authority

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

Dear Dr Brimble,

**Proposal for National Exam – Draft Guidance Paper**

I refer to the Draft Guidance Paper on the proposed National Exam for financial advisers released by FASEA for consultation in July 2018.

We are pleased to provide the following comments after consultation with members.

**About us**

The Stockbrokers And Financial Advisers Association (SAFAA) was established in 1999 following the de-mutualisation of the ASX.

Its purpose was to provide a professional association for stockbroking firms (Market Participants), and persons employed in those firms (Practitioners).

The Association has both Principal and Individual Members. Principal Members comprise both Market Participants (29) and Non-Market Participants (2). See Annexure.

Approximately 3,000 advisers are employed by Market Participants. Of these, approximately one third are Practitioner Members of this Association.

SAFAA was incorporated as the Securities & Derivatives Industry Association (SDIA), then changed its name to the Stockbrokers Association of Australia (SAA).

In 2017, the Association changed its name to the Stockbrokers And Financial Advisers Association (SAFAA).

Since 1999, SAFAA has played a critical role in shaping the ethical and efficient development of listed equity, debt and derivatives markets in Australia.

Specifically, the Association has:

- trained more than 10,000 investment professionals
- convened hundreds of Workshops and Committee Meetings to discuss industry issues
- staged 20 national conferences, each with up to 500 delegates
- submitted dozens of thoroughly researched policy papers to government and regulators

Submissions going back to 2009 can be viewed on [SAFAA's website](#).

SAFAA has three roles:

Firstly, it advocates on behalf of its Principal Members for ethical, efficient and stable listed equity and debt markets.

Secondly, it provides specialist education and training for its Practitioner Members.

Thirdly, it provides Code Monitoring for TASA advisers as an accredited Tax (Financial) Adviser Association for the purposes of the Tax Agent Services Act (TASA).

### **SAFAA Comments on the Draft Guidance**

1. There is unnecessary duplication between the five subject areas comprising the scope of the exam, and the bridging courses that existing advisers will be required to undertake. If candidates for the exam demonstrate their competence by passing the proposed subject areas in the exam, then there is no reason why those advisers should then be required to study those same subject areas in later bridging courses. Those subject areas should be in either the exam or in the bridging course, but for them to be in both is unnecessary duplication.

In addition, it makes little sense to examine candidates on subjects 3-5 before they have gained any work experience. Given that a person must pass the proposed national exam before they can begin their Professional Year, then they must answer questions on those subjects without any work experience or training. We question what type of meaningful assessment the exam will deliver on those three subject areas.

It was for these reasons that SAFAA in previous submissions argued that the Exam should be restricted to the subjects of Ethics and Chapter 7 of the Corporations Act, i.e. the first two subjects in the Draft Guidance Paper.

If the content of the exam is to be the same for both new entrants and existing advisers then it would be more practical for new entrants to sit the exam at the end of their professional year as this would provide a form of validation of their professional year.

2. SAFAA has no firm views one way or another on whether the exam should be closed book or open book. The drafting of the exam questions must be tailored to whichever of these two options is ultimately chosen. Closed book exams should not be a memory test, and in many respects, they are less like real-life situations. However, SAFAA does not argue for either option so long as the exam is appropriately drafted. SAFAA reserves its views on the exam until further details of what the actual questions will look like are made available.
3. It is unprecedented for an exam of this nature not to have a published curriculum made available so that study and exam preparation can be undertaken. SAFAA views a published curriculum as mandatory. This will also enable the width of the proposed subject areas, particularly the Corporations Act, to be appropriately narrowed.
4. Section 5 appears to suggest that there will be two exams, one for New Entrants and one for Existing Advisers. We do not understand why there should be two exams. If the intention is for there to be a national benchmark against which all advisers are measured, then there should only be one exam. As mentioned in point 1 above, the timing of taking the exam should vary depending on whether it is for a new entrant (end of professional year) or for an existing adviser.
5. The proposed schedule of sitting dates is inadequate. The exam must be available more than 4 times a year for New Entrants. As this is a barrier to people's potential livelihood, there should be more frequent sittings available – they should at least be every fortnight, both for New and Existing advisers.
6. Further to 5 above, the proposed waiting time of 4-6 weeks for marking exams is unacceptably long. Again, candidates' ability to commence work may depend on this, and a faster marking deadline is required.
7. We have serious reservations about how the applied methodology will be tested generically across the range of market sectors, which can differ significantly. The application of principles may in practice be very different in stockbroking, insurance, timesharing, etc. The questions will need to be very simplistic to apply

across the different industry sectors without the necessary adaption to reflect the nuances in each sector.

8. Candidates should be allowed to re-sit the exam if they fail, however we do not support unlimited re-sits. The exceptional circumstances specified in the Draft Guidance for allowing a re-sit are too restrictive, as further study and work experience may overcome any deficiencies that led to the first failure. The limit of 2 re-sits is also too restrictive, and an alternate set of criteria based on further study and training could be devised to permit a reasonable number of further attempts. We would further suggest that if the exam is on more than one subject area and the sitter fails one or more section of the exam (but not all sections) they should only be required to re-sit the subject area/s where a satisfactory pass was not obtained.
9. Further to 8 above, the *defined period* between each re-sit referred to on page 5 is not specified. We do not see why there needs to be any specified period between a candidate making a further attempt to sit the exam.
10. We strongly oppose the concept of scaling. Candidates should receive the score that they attain in the exam, not be given a different, adjusted score that does not reflect the answers that they have given. Scaling implies an expected distribution of exam results, which does not make sense in relation to this exam and the objective that the exam is meant to achieve.
11. There must be a mechanism for candidates to seek a remark, especially for the report writing questions. There needs to be a safeguard against formulaic approaches by examiners that may fail to assess properly the quality of answers that a candidate has given.
12. In the examination of RG146 provision was given for senior advisers (under certain circumstances) to take an oral examination. We feel that a similar standard should apply with respect to this examination.

As a general comment, it is difficult to provide any further or better feedback on the Consultation Paper, given the very general description of the proposals in it.

We therefore recommend that FASEA releases another Guidance Proposal for Comment once there is more definition around the proposed exam.

We would be happy to discuss any issues arising from our submissions on this issue. Should you require any further information, please contact Peter Stepek, Policy Executive, on (02) 8080 3200 or email [pstepek@stockbrokers.org.au](mailto:pstepek@stockbrokers.org.au)

Yours sincerely,

A handwritten signature in black ink that reads "Andrew Green". The signature is written in a cursive style with a large initial 'A' and 'G'.

**ANDREW GREEN**  
Chief Executive

**Annexure to FASEA Submission**

**PRINCIPAL MEMBERS LIST**

**PRINCIPAL MEMBERS  
MARKET PARTICIPANTS**

1. ABN AMRO Clearing Sydney Pty Ltd
2. ANZ Share Investing
3. Argonaut Securities Pty Ltd
4. Baillieu Holst Ltd
5. Baker Young Stockbrokers Ltd
6. Bell Potter Securities Ltd
7. BNP Paribas Securities Services
8. Bridges Financial Services Pty Ltd
9. Burrell Stockbroking Pty Ltd
10. CMC Markets Stockbroking Ltd
11. Commonwealth Securities Ltd
12. Evans & Partners
13. Euroz Securities Ltd
14. Hartleys Ltd
15. Instinet Australia Pty Ltd
16. ITG Australia Ltd
17. Joseph Palmer & Sons
18. Liquidnet Ltd
19. Morgans Financial Ltd
20. Ord Minnett Ltd
21. Patersons Securities Ltd
22. Pershing Securities Australia Ltd
23. PhillipCapital
24. Saxo Capital Markets (Australia) Pty Ltd
25. Shaw and Partners
26. Taylor Collison Ltd
27. UBS Australia
28. WealthHub Securities Ltd
29. Wilsons

**PRINCIPAL MEMBERS  
NON-MARKET PARTICIPANT  
(Clear & settle through Market  
Participant Member)**

1. Crestone Wealth Management Ltd
2. JB Were Ltd