

## Senate Estimates Hearing – FASEA Opening Statement – 4 March 2020

Thank you Chair.

By way of opening comment, I think it is opportune to reflect on FASEA's legislative role and to highlight the progress we have made in a fairly short period of time.

In April 2017 the Corporations Amendment (Professional Standards of Financial Advisers) Act 2017 amended the Corporations Act to raise the education, training and ethical standards of licensed financial advisers in Australia.

The Amendments to the Act require financial advisers providing personal advice to retail clients on relevant products to:

- Hold a bachelor or higher degree or equivalent qualification
- Pass an exam administered by the standards body
- Undertake a professional year
- Undertake continuous professional development; and
- Comply with a Code of Ethics

The changes made by parliament are designed to assist in transitioning financial advice to a profession and to increase consumer confidence and trust in obtaining financial advice. Importantly the amendments to the Corporations Act do not exempt or grandfather existing advisers from the requirements.

FASEA's task is to bring to life the professional standards framework of this legislation. *(In other words, section 921U(2) of the Act).*

FASEA has worked hard to develop and release a standards framework that is balanced, workable and which draws upon a process of wide consultation.

With the standards now legislated and released, the Financial Adviser Standards and Ethics Authority (FASEA) continues working hard with industry stakeholders to embed the higher education and ethical standards mandated just over 2 years ago.

At FASEA's last appearance before the Committee I noted we have been conscious to recognise the qualifications and study already undertaken by existing advisers and to set exams that we consider are fair to all advisers.

Pleasingly this appears to be bearing fruit with strong numbers of advisers demonstrating their commitment to higher standards by both sitting the exam and enrolling for additional study.

To date FASEA, with the support of the Exam administrator (ACER), has successfully offered 4 exam sittings which commenced June 2019.

Since June 2019, exams have been offered in both capital cities and 24 regional locations across Australia.

Exam sittings are offered over 5 days with advisers able to choose their sitting day.

To date a total of 341 exam sessions have been run with 7,488 advisers sitting. Combined with approximately 1900 advisers who have registered for the upcoming April exam, this represents 40% of the total number of advisers registered on the ASIC Financial Adviser Register.

The exam is set at a challenge level equivalent to a Bachelor degree level of study with, on average, 88% of candidates passing each exam.

FASEA has committed to a further 5 sittings of the exam in 2020 presenting advisers with multiple opportunities to sit.

FASEA has approved an extensive range of Bachelor or higher degrees and bridging courses with 88 currently available for existing advisers or potential new entrants to enrol in.

Preliminary annual returns received from approximately half of the higher education providers offering FASEA approved courses report strong enrolment by both existing advisers and potential new entrants. Those HEPs report there are over 4500 existing advisers undertaking either bridging courses or post graduate studies and in excess of 700 potential new entrants enrolled in Bachelor degrees.

FASEA has recognised the prior study of advisers through the approval of:

- 73 historical degrees dating back to 1996;
- Advanced Diplomas offered by 21 registered training organisations;
- Diplomas offered by FPA and Securities Institute; and
- Study offered by 8 professional associations.

FASEA remains committed to ongoing consultation with stakeholders as the reforms bed down. In the current financial year to date we have received and responded to in excess of 4,500 enquiries and considered over 500 formal submissions on the standards. We are particularly cognisant of the need to provide guidance on the Financial Planners and Advisers Code of Ethics which came into effect on 1 January 2020.

Between March and November 2018 FASEA conducted consultation on the development of the Code.

The Code legislative instrument was registered in February 2019 and released with an explanatory statement explaining its operation which included a number of illustrative examples to demonstrate the application of the code.

FASEA undertook further consultation with stakeholders during 2019 and released additional guidance on its operation.

The Code seeks to impose ethical duties on advisers that go above the requirements of the law and are designed to encourage and embed higher standards of behaviour and professionalism in the financial advice industry. This is expressly in line with the intent of the reform program and the explanatory memorandum to the amendment to the Act.

The Code places personal responsibility on advisers to understand and adhere to their ethical obligations.

It puts an ethical overlay on the service advisers provide to clients and is intended to shape every aspect of adviser's professional conduct centred on providing advice that is in the best interests of the client.



FASEA will continue to consult and provide guidance to stakeholders as these important reforms bed down.

In closing, it is important not to lose sight of the long-term benefits the reforms are intended to bring. After the implementation of parliament's reforms, consumers will be able to approach an adviser in the knowledge that the adviser has achieved a minimum educational level to enter or have stayed in the profession and, if a new adviser, have completed a professional year under the guidance of an experienced practitioner.

Consumers will understand that their prospective adviser has passed an industry-wide examination verifying the adviser's ability to apply their knowledge of the relevant law, ethics, and understanding of client needs in real-life scenarios. They will also be aware that the adviser is regularly refreshing their technical, regulatory, client care, professional and ethical knowledge through their commitment to continuing professional development.

They will recognise that they're dealing with an adviser with a high standard of technical and practical knowledge, bound by a legislated code of ethics comprising principles and core values which commit the adviser to a high standard of consumer service by addressing values of competence, diligence, fairness, trust and honesty that ensure that the adviser provides appropriate, informed advice in the consumers best interests.

All of this will increase consumer confidence that their adviser is providing them with a professional service, fulfilling their expectations in the same way that they would expect to receive professional counsel from their lawyer, accountant, or doctor.