



30 September 2013

Nicole Chew
Lawyer, Financial Advisers
Australian Securities and Investments Commission
Level 5, 100 Market Street Sydney
NSW 2000
Email: policy.submissions@asic.gov.au

Dear Ms. Chew,

SPAA SUBMISSION ON ASIC CONSULTATION PAPERS 212 AND 215

The Self Managed Superannuation Funds Professionals' Association of Australia (SPAA) welcomes the opportunity to make a submission in response to the Australian Securities and Investments Commission's (ASIC) *Consultation Paper 212: Licensing: Training of financial product advisers – Update to RG 146* and *Consultation Paper 215: Assessment and approval of training courses for financial product advisers: Update to RG 146*.

SPAA supports ASIC's motivation to increase the standards of training for financial product advisers in order to increase the quality of financial advice being provided to consumers. We acknowledge that a higher standard of education for the financial services professional is an integral driver to improve the quality of advice provided to consumers. However, we believe that the approaches to financial adviser training and the approval and regulation of courses for RG 146 outlined in Consolation Paper 212 and Consultation Paper 215 are flawed and will not achieve the goal of improving the quality of financial advice.

The approach outlined in Consultation Paper 212 is overly complex with the different regimes applying to the same population of advisers over the next 5 years. We believe this will result in an unwieldy system and increase compliance costs for Australian Financial Services (AFS) licensees and create confusion for advisers. The proposed changes only focus on a narrow area of RG 146 knowledge requirements, rather than all the financial advice knowledge areas covered by RG 146. We believe all areas should be considered in a review of the training standards for financial advice knowledge.

Also, we are disappointed that CP 212 has not specified an increase in self managed superannuation fund (SMSF) competencies. This is particularly in light of recent criticisms by ASIC that the current standard of SMSF advice is too low and is not meeting consumers' needs.

Further we do not support ASIC's approach in Consultation Paper 215 to remove the ASIC Training Register and replace it with a self-assessment model which allows registered training organisations (RTOs) and self-accrediting organisations (SAOs) to self-assess whether their courses meet RG 146 requirements. While the existing Training Register is outdated and lacking functionality for AFS licensees and advisers, we believe that the proposed self-regulatory approach does not provide enough independence and rigour for AFS licensees and advisers to depend upon to satisfy their RG 146 requirements.

We understand that the operating principle of RG 146 is that the onus falls to the licensee to ensure that their representatives are adequately and appropriately trained. However, with the removal of the ASIC Training Register, no licensee has the knowledge, tools or resources to independently assess that the training their representatives have undertaken meets the requirements of RG 146. Accordingly, we believe an alternative industry based training assessment solution is more appropriate if ASIC is no longer willing to be the independent assessor of RG 146 training courses. We believe the financial advice industry and ASIC could work together to implement a training course assessment model that would reduce compliance issues for AFS licensees and advisers and achieve higher education and training standards.

About SPAA

SPAA is the peak professional body representing the SMSF sector throughout Australia. SPAA represents professionals, irrespective of their personal membership and professional affiliations, who provide advice to individuals aspiring to higher levels of participation in the management of their superannuation savings. Membership of SPAA is principally accountants, auditors, lawyers, financial planners and other professionals such as actuaries.

SPAA is committed to raising the standard of professional advice and conduct in the SMSF sector by working proactively with Government and the industry. In doing so, SPAA has contributed to SMSF advisors providing a higher standard of advice to SMSF trustees. This in turn has enabled trustees to make more informed decisions addressing the adequacy, sustainability and longevity of their own retirement savings. SMSFs offer trustees greater control and flexibility and have become an integral part of the Australian Superannuation landscape by providing significant and viable options for managers, business owners, executives and retail operators alike.

We would be happy to provide further information or to discuss any questions you may have about this submission with you.

Yours sincerely,

Andrea Slattery
Managing Director/CEO
SMSF Professionals' Association of Australia Limited

Contact Numbers:

Tel: (08) 8205 1900

Mrs Andrea Slattery
Managing Director/CEO

Mr Graeme Colley
Director, Technical and Professional Standards

Ms Liz Ward
Head of Education Services

CP 212 CONSULTATION QUESTIONS

Generic knowledge requirements

B1Q1

We agree with the proposal to make knowledge of the generic knowledge topics mandatory for advisers who are providing general or personal advice on Tier 1 products. We believe that it is important that advisers have a broad understanding of the economic, financial and client factors that should influence their advice.

We also believe that this requirement should extend to Tier 2 products, as the categories of generic knowledge are factors that should be considered in general and personal advice regarding Tier 2 products.

B1Q2

Yes, we believe the additional categories of generic knowledge are appropriate and necessary for financial advisers.

B1Q3

Yes. Knowledge of financial structures and their tax implications and awareness of taxation are integral characters of complete and well-rounded financial advice. These issues should not be left out of RG 146 on the basis that financial advisers providing limited categories of taxation advice will be regulated under the *Tax Agent Services Act 2009*. This would ignore the fact that tax advice related to financial products is an innate part of proper financial advice.

B1Q4

As explained above in our answer to B1Q1, we believe that the generic knowledge topics should apply to both Tier 1 and Tier 2 general and personal advice. The generic knowledge topics give advisers important context for the advice that they provide and should support all financial advice, not just Tier 1 product advice.

B1Q5

No.

B1Q6

Yes, we believe that it will be difficult for training providers to develop course materials and have properly qualified trainers to instruct on the additional generic knowledge areas. This could prove to be a significant barrier to an effective implication of the increased generic knowledge topics for financial advisers. This will be caused by both the significant increase in the number of topics (12) and the diversity of the topics included which will require additional expertise (i.e. from taxation to ethics).

B1Q7

While SPAA advocates higher standards and increased education for financial advisers, we are wary of asserting a conclusive positive link between the increased generic knowledge requirements for RG 146 and better advice for consumers. This is because better standards and education may not necessarily lead to better advice if these areas of increased knowledge do not affect advice practices or are not delivered with skill and clarity to consumers.

We also note that if there is to be an improvement of advice due to increased training standards, we would expect a significant lag between the increase in standards and an improvement in advice. This will be caused by the stepped time frame proposed in CP 212 which does not require existing advisers to undertake training at higher standards unless they add on new specialities to their RG 146 training. This will result in standards of training of advisers only increasing as new advisers enter the system or as existing advisers are required to undertake RG 146 training at the increased standards proposed in CP 212. Accordingly, we would not expect an immediate increase in quality of advice caused by increased RG 146 training standards.

However, we believe that the increased generic knowledge requirements should assist advisers in formulating and delivering better advice to consumers, especially if ASIC's programs and publications which monitor the provision of advice highlights the need to take these knowledge areas into account when advising clients.

B1Q8

We expect the increased requirements will result in higher training costs for advisers and AFS licensees. As explained in B1Q6, the increased generic knowledge requirements will require training providers to develop more advanced course materials and increase the number of or quality of trainers. The costs associated with these requirements will be passed on to advisers and AFS licences via increased training costs.

Specialist knowledge: financial planning

B2Q1

We agree with the inclusion of 'detailed knowledge of social security' but do not support the inclusion of 'providing financial advice to older Australians'.

A detailed knowledge of social security will assist financial planners in taking a more well-rounded view of financial advice, especially for Australians approaching retirement.

We believe that knowledge of providing financial advice to older Australians should not be a specific knowledge area in financial planning but should be a skill that financial advisers apply in delivering advice to this audience. Also, the increased generic knowledge requirements proposed by CP 212 should improve knowledge of the financial advice needs of older Australians.

Good advice practices that include clear and appropriate communication in all types of financial product advice will ensure that advice to older Australians meets their needs and is communicated effectively. Furthermore, CP 212 is very vague as to what 'providing financial advice to older Australians' entails.

B2Q2

No, these topics should apply to general advice as well as specific advice, especially social security knowledge, as it is important for advisers to have an overall understanding and appreciation of the whole advice environment that they should consider when forming and providing advice.

B2Q3

Our concern here is similar to that expressed above in B1Q6 that it will be difficult for training providers to develop materials and have appropriately qualified trainers to instruct on social security and advice for older Australians.

B2Q4

Yes. We believe that the current and proposed financial planning knowledge requirements are well short of actual knowledge needed by financial advisers to be appropriately qualified to advise on financial planning matters. The RG 146 financial planning knowledge requirement should be linked to some basic subject areas that financial planners should be aware of in order to provide appropriate strategic advice to clients. We believe, at a minimum, this should cover the knowledge areas included as "class of product advice" in the recently introduced limited AFS licence which are:

- superannuation
- securities
- general insurance
- life risk insurance
- basic deposit products, and
- simple managed investment schemes.

Without an understanding in at least these areas we do not believe that having met the required training standards for financial planning will see an adviser have the training that meets their occupational needs. That is, we do not see any relevance in having met RG 146 standards for financial planning without other areas of knowledge crucial to providing financial planning advice.

B2Q5

Please see our answer to B1Q7 in regards to the connection between increased training standards and improved advice quality.

B2Q6

Please see our answer to B1Q8 in regards to how the increased costs of training providers will be passed on to advisers and AFS licensees.

Specialist knowledge: securities

B3Q1

We agree that portfolio construction should be included as an additional sub-topic under the securities knowledge requirement. Portfolio construction is an essential element in advisers assisting their clients in creating a portfolio of investments that meet their needs and suits their risk tolerance.

B3Q2

No, we believe that knowledge of portfolio construction should be required of advisers providing general advice because of the strategic importance of portfolio construction in achieving individuals' financial goals.

B3Q3

As described above in B1Q6, there will be practical difficulties in training providers developing materials and having appropriately qualified trainers to instruct on portfolio construction.

B3Q4

No.

B3Q5

Please see our answer to B1Q7 in regards to the connection between increased training standards and improved advice quality.

B3Q6

Please see our answer to B1Q8 in regards to how the increased costs of training providers will be passed on to advisers and AFS licensees.

Specialist knowledge: superannuation

B4Q1

We agree with the inclusion of the sub-topics of 'transition-to-retirement products', 'structuring for superannuation', 'defined benefit and defined contribution funds/arrangements', and 'benefits and risks of certain superannuation structures'. However, we do not believe that the defined benefit and defined contribution topic is as relevant considering the lower amount of superannuation fund members that are part of funds that use these arrangements. Also, we believe that 'benefits and risks of certain superannuation structures' should be supplemented by a specialist SMSF topic if advisers wish to provide advice on SMSFs.

B4Q2

No, we believe that these additional topics should apply to all advisers with a RG 146 superannuation specialist knowledge qualification. Existing advisers under regime a should be given additional time to update their knowledge to meet the requirements.

B4Q3

As described above in B1Q6, there will be practical difficulties in training providers developing materials and having appropriately qualified trainers to instruct the additional superannuation sub-topics.

B4Q4

Yes, we believe that an updated RG 146 should include a SMSF topic in addition to the proposed sub-topics.

We are surprised that ASIC has not suggested an additional specific SMSF topic in light of recent statements and research issued by ASIC that has shown concern for SMSF advice practices. We believe that including a SMSF topic will increase the level of professionalism and understanding of financial advisers who advise on the establishment and operation of SMSFs, leading to increased consumer protection.

SPAA has its own SMSF curriculum that we outline to SMSF training providers which indicates what we believe should be include in their SMSF training programs. At a high level, the following areas are what SPAA believes should be understood by advisers working the SMSF area:

- What is Superannuation?
- What is Self Managed Superannuation?
- Superannuation structures
- Obligations and Responsibilities
- Estate planning
- Wills
- Interaction with other laws
- Fees and charges
- Where and when to find information
- SMSF Core Functions
- Structure of a Fund
- Setting up the fund
- Contributions
- Benefits
- Trustee / member distinct capacities
- Seeking Advice
- Remuneration models
- Where and when to find information
- Understand the disciplinary complaints process and organisations
- Developing an investment strategy
- Acquisitions and investments
- Risk
- Liquidity & Performance Monitoring
- Documentation
- Core Taxation Functions
- Taxation at fund level
- Taxation at benefit level
- Other Taxation issues
- Record keeping and accounting
- Trustee Reporting Responsibilities
- Reporting to Regulator
- Reporting to Members
- Reporting to Other funds
- Winding up/Closing an SMSF
- Legislation and Regulation to ensure compliance
- Evaluation of Trust Deeds
- Application of Law

- Industry codes of practice
- Investment Strategies
- Risk Products
- Loans
- Provide Advice
- Work within competence boundaries and maintain currency of knowledge
- Ethical behaviour
- Adviser Capacities

While some of the existing competencies for RG 146 superannuation compare with this high-level list, there are many that are not included and could be included under a separate SMSF specialist topic.

We would like to work further with ASIC to build requirements for a SMSF knowledge requirement that could be included in the updated RG 146 requirements moving forward.

We would expect any SMSF knowledge requirement to apply to all advisers providing advice on SMSFs, not just those under Regime B, Regime C or Regime A advisers that later add on the SMSF knowledge specialisation.

B4Q5

Please see our answer to B1Q7 in regards to the connection between increased training standards and improved advice quality.

B4Q6

Please see our answer to B1Q8 in regards to how the increased costs of training providers will be passed on to advisers and AFS licensees.

Other specialist knowledge requirements

B5Q1 and B5Q2

It is a fundamental weakness of CP 212 that it has only addressed a limited subset of advice categories that comprise RG 146.

We are surprised that a review of RG 146 has only extended to generic knowledge, financial planning, securities and superannuation, rather than undertaking a comprehensive review of all knowledge areas contained in RG 146. If it is the aim of ASIC to improve financial advice overall, then the categories that were not considered for amendment in CP 212 must be included in a broad review of financial advice training standards.

Further, if ASIC's Cognitive Task Analysis research has been the substantial basis for the review of RG 146 in CP 212, we believe the CTA research program should be extended to cover other specialist knowledge requirements. It is important to consider financial advice as a whole, rather than address it in a 'silo' method, which will change the standards for some areas of advice delivered by an individual adviser but not others.

Additional skill requirements

C1Q1

We support the proposed changes to increase the skill requirements regarding primacy of the client advice, communication to the client and relating risk tolerance to a client's needs and financial circumstances. These skills are important in advisers providing appropriate and tailored advice to clients.

While these are appropriate changes we believe that the most important facet of increasing the skill requirements for financial advisers is the assessment of these skills. Without effective assessment of the skills, increased standards are unlikely to have a significant effect on advice given by financial advisers. We believe that these skills need to be assessed through both oral and written exams which reflect how advice is delivered to clients by financial advisers.

C1Q2

We foresee that there may be practical difficulties for training providers to have appropriate resources to instruct on these skill requirements and also implement the necessary assessment procedures described above to evaluate a financial planners skills in these areas. We believe this will also require monitoring by ASIC of whether training providers are effectively assessing these skills.

C1Q3

No.

C1Q4

If the proposed skill requirement changes are implemented by training providers in a way that has meaningful assessment for financial advisers' competencies in the proposed skill requirements, we believe this would most likely improve the quality of advice provided by financial advisers. This would in part depend on how effectively ASIC can monitor the provision of advice and whether the skill requirements are being met by advisers in the provision of actual advice to clients.

Also, we reiterate our comments in B1Q7 regarding the link between increased education or skill requirements and the effect on advice.

C1Q5

Please see our answer to B1Q8 in regards to how the increased costs of training providers will be passed on to advisers and AFS licensees.

Increasing the educational level requirements

D1Q1

SPAA supports moves to increase the educational level requirements of RG 146, however, we anticipate a number of practical difficulties in implementing the proposed plan in CP 212.

D1Q2

A significant problem with the approach of raising educational levels from Australian Qualification Framework (AQF) Level 5 to AQF Level 6 and then to AQF Level 7 is that there are only minor and nuanced differences between the levels. The wording of the descriptions of the AQF levels in Table 4 of CP 212 shows that there are only small differences between AQF Level 5 and AQF Level 6 and between AQF Level 6 and AQF Level 7. We believe that these minor changes in training standards will result in only minor differences in updated training courses for RG 146 with little difference to improving advice. We do not believe that small increases in the quality of advice is the intention of CP 212 or justify the increased cost of meeting the new requirements for training providers, advisers and AFS licensees.

This process will also require training providers to rewrite courses twice in a short period.

We believe this problem can be avoided by moving straight to the higher level, AQF Level 7 proposed in Regime C rather than the interim Regime B. We believe that moving to an AQF Level 7 standard for RG 146 training could improve the quality of training and the quality of advice markedly.

However, we believe that it should be recognised that undertaking units of study at AQF Level 7 Bachelor Degree level is different to undertaking an entire Bachelor degree. Undertaking a Bachelor degree is a cumulative, knowledge building process in a particular area that allows a student to build an in-depth understanding of a subject area as well as cumulatively improve their ability to analyse and explain a subject. This is quite different to the skills based training that RG 146 has embodied and we do not think that shifting RG 146 training to this level will necessarily have the same resulting benefits of a Bachelor degree. In other words, we believe that there is a marked difference between a financial adviser being required to have a Bachelor degree and undertaking Bachelor degree level study in RG 146 competency areas.

D1Q3

We believe that the changes should improve the quality of advice consumers receive over the long-term, especially as more advisers undertake training under Regime C.

However, we reiterate our comments in B1Q7 regarding the link between increased education and its effect on advice.

D1Q4

Yes, we believe that the requirement for training providers to move their RG 146 training courses from AQF Level 5 to AQF Level 6 and then to AQF Level 7 will result in increased costs for advisers and AFS licensees as the costs associated with these requirements will be passed on to advisers and AFS licences via increased training costs.

A major cost for training providers will be ensuring that they have staff which are qualified to teach AQF Level 7 courses. Essentially, this would require their trainers to have obtained a qualification at AQF Level 8 or above to instruct AQF Level 7 courses. Our understanding of the current training provider environment is that most would need their existing trainers to undertake further training or would need to acquire trainers with sufficiently advanced qualifications to be able to instruct an AQF Level 7 course. These changes will come at a cost for training providers and those costs are likely to be passed on to advisers and AFS licensees.

While SPAA sympathises with the increased costs for training providers, we do believe the costs are necessary to increase the educational level of RG 146.

D1Q5

No, we believe that the increased educational requirement should apply to both general and specific advice. This is because we believe that all advisers should have a well-developed and high standard of an overall understanding of the financial advice environment they work in.

D2Q1 – D2Q5

We support an increase in the educational level requirements for Tier 2 products. We also believe there will be less cost and trainer skill issues than for Tier 1 products because of the lower education level involved.

In the long-term we believe that Tier 2 educational level requirements could move beyond diploma level qualification and approach a similar level to Tier 1 products. However, we recognise there are advice occupations in the financial services industry that do have lower knowledge and education requirements.

Timeframe for implementation of increased training standards

E1Q1

No, we do not agree with the proposed staged approach to implementation of the increased RG 146 training standards.

We believe the staged approach will be extremely difficult for AFS licensees to comply with as they will have authorised representatives spread across the three different RG 146 regimes. This will be exacerbated if existing authorised representatives choose to take on additional RG 146 specialisations, resulting in individuals having different qualifications across different RG 146 regimes. We believe the compliance costs for AFS licensees to track these training and education outcomes will be excessive under the proposed approach.

As an alternative we propose that the RG 146 training requirements move straight to the Regime C standards, rather than a two-step approach to achieve this level. This will be simpler for AFS licensees and also achieve the ultimate goal of increasing training standards faster. We believe that this approach is feasible as there are only small differences between the standards proposed in Regime B and Regime C (outlined above). This approach will also require training providers to only have to alter their training materials once.

We believe that this approach could be undertaken and its requirement met by training providers if a later start date is chosen.

E1Q2

We do not agree with the start date of 1 January 2015. We believe that no changes should occur until after the full introduction of the limited AFS licence that will replace the current accountants' exemption and be in place from 1 July 2016. The limited licence transition period should be allowed to finish before increased training standards are introduced for RG 146. This will avoid confusion for those entering the AFS licence regime under a limited licence. It will also ensure that one RG 146 standard will apply both to professionals eligible for the limited licence transitional provisions and those that take on a limited licence before 1 July 2016 without the aid of the transitional provisions.

E1Q3 and E1Q4

We do not believe that sufficient courses will be available by 1 January 2015 to cover the proposed knowledge and skill requirements of Regime B. We understand that it takes approximately three years for training providers to carry out the process of preparing, implementing and reviewing an increase in educational standard for their courses or prepare new courses. Accordingly, we do not think the training providers will be able to meet the demand for new courses by 1 January 2015.

Also, we believe the increased requirements of training providers will result in a contraction of the training provider market as some training providers will either choose not to or be unable to meet the requirements and consequently will move out the AFS licence market. This could result in a shortage of qualified providers to meet the markets' needs resulting in wait times and increased costs for AFS licenses and advisers.

E1Q5

As outlined above, we don't believe that the 1 January 2015 start date will allow enough time for training providers to develop their courses to meet the new requirements.

E1Q6 and E1Q7

We believe that the increased standards should apply more evenly across the financial advice industry so that existing advisors meet the increased standards. We believe this will result in higher education standards across the financial advice industry and benefit consumers. This will also give consumers more confidence that any adviser they choose to use will have met the increased education and skill requirements proposed in CP 212.

However, we believe that if the approach of expecting existing advisers to meet the increased standards is proceeded with, then a longer lead-in period should be allowed so that they can undertake training to meet the new standards.

E1Q8

Yes, we believe the 6 year period until AQF Level 7 courses are required for Tier 1 products will allow enough time for training providers to develop courses to deliver the required training outcomes.

E1Q9

Yes, advisers should be required to complete knowledge and skill requirements for new advice activities at the standard of the current regime in place at the time when they begin the new activity.

We believe that this issue could be made less complex by moving straight to Regime C as proposed above in E1Q1.

E1Q10

We have no further comments.

Reclassification of certain insurance products

SPAA does not have any comments on these issues.

SPAA Comments on CP 215 — Assessment and approval of training courses for financial product advisers

SPAA is concerned by ASIC's proposal in CP 215 to remove the ASIC Training Register and replace it with a self-assessment model which allows registered training organisations (RTOs) and self-accrediting organisations (SAOs) to self-assess whether their courses meet RG 146 requirements. We believe that this method of assessing and approving RG 146 training courses is likely to result in a conflict of interest for RTOs and SAOs and increasing the difficulty for AFS licensees and advisers to be certain that courses they are depending on will satisfy the relevant knowledge and competency regulatory requirements.

Training providers are commercial entities who depend on enrolments of AFS licensee groups and other advisers to generate income. The need to generate income via enrolments may cause a conflict of interest for training providers when they come to preparing their own course material and then self-assessing whether that material meets RG 146 requirements. If a training provider was to self-assess that their material was not appropriate for RG 146 requirements they would be excluding themselves from the RG 146 training market. We are concerned that this would place training providers in a conflicted position when it comes to developing and assessing their own material for RG 146 training purposes.

While we recognise that RTOs and SAOs are regulated by the Australian Skills Quality Authority (ASQA) and Tertiary Education Quality and Standards Agency (TEQSA) respectively, we do not think that the standards of financial advice education should be outsourced outside regulators or bodies that are not part of the financial services industry.

By deferring the governance of financial advice education to third party regulators (ASQA/TEQSA), what independent means do licensees have to validate that the RG146 courses on the market meet the requirements of RG146? We believe that this function should be undertaken by an industry body in conjunction with ASIC.

The compliance mechanisms outlined in CP212 and CP215 present a disconnect between the regulatory control and scope of the financial advice and education environments:

Regulatory control:

- RTOs are regulated by ASQA.
- Universities are self-regulated and overseen by TESQA.
- Licensees are regulated by ASIC.

Regulatory scope:

- RTOs and Universities are bound by regulation to operate under the Australian Qualifications Framework (AQF).

- RTOs and Universities are not bound by regulation to ensure their program adheres to RG146.
- The requirements of AQF and the Financial Services Training Package are not the same as the requirements of RG146. There are both similarities and specific points of difference.

There is no regulatory link between the provider of the solutions to RG 146 requirements, the training providers, and ASIC as the regulator of AFS licensees. This will be a significant shortcoming in achieving the goal of raising the quality of advice standards through education and training. An entity that has the goal of ensuring financial advice is improved through education and training should be assessing RG 146 training courses so that there is not a disconnect between the expectations for the improved quality of advice and the approval of RG 146 training and education.

This disconnect also increases the difficulty for AFS licensees and advisers to be sure that a training course they subscribe to will satisfy the relevant RG 146 training requirements. Without an independent body to assess whether a training course meets the RG 146 requirements for a knowledge area, AFS licenses and advisers will have to conduct this assessment themselves. We believe that AFS licenses and individual advisers do not have the knowledge, tools or resources to independently assess that the training their representatives or that they themselves have undertaken will the requirements of RG146. The requirement that licensees and advisers will have to assess courses themselves will increase compliance costs across the financial advice industry. We also believe it will be a significant barrier to improving the standard of advice across the industry.

The model proposed also raises broader issues of as to who owns the liability for licensees and/or students who have completed RG146 courses that comply with AQF requirements but do not meet the requirements of RG146. This could become a significant problem if under the CP 215 proposed environment a disconnect between approved training courses and RG 146 requirements grew.

Additionally, we believe that not having an independent validation of training courses and on-going compliance checks for training providers will weaken consumers' confidence in the AFSL regime. The education and competency of advisers operating under the AFSL regime is fundamental to consumers of financial advice receiving high quality and appropriate advice which assists them achieve their financial goals. Consumers should be confident that their adviser has met education and training requirements set by the regulator which guarantees the competency of the advice they have received. With the CP 215's proposed self-assessment system, consumers would be open to doubt whether their adviser has undertaken training of a high enough standard to support the advice they are receiving. Any perceived or actual conflicts of interest that affect the standard of education received by financial adviser has the potential to seriously undermine consumer confidence in the financial advice regime.

Alternative Solution

In light of the considerable problems with the self assessment model proposed in CP 215, we believe that ASIC and the financial advice industry should work together to formulate an alternative model of assessment of RG 146 training courses and also to create a register of industry approved courses that AFS licensees and advisers can rely on as meeting the RG 146 requirements.

We propose that the financial advice industry representative bodies could form a council to approve training courses that meet RG 146 requirements. We believe that industry representative bodies are well positioned to provide accurate technical insights that can validate whether training courses meet RG 146 requirements. This would allow for an unbiased and non-conflicted approval process for RG 146 training courses which AFS licensees and advisers can rely on. A diagram of this approach to approve training courses is attached.

Additionally, industry collaboration in approving training courses should result in industry associations working jointly to lift education standards and training course relevancy to their specific area of expertise. For instance, SPAA, an expert in the SMSF area and advocate for higher professional standards, would be able to certify courses that meet RG 146 superannuation or SMSF requirements in conjunction with other associations. Industry associations are in a position to be able to respond to regulatory and industry developments and help shape education requirements to ensure that training is relevant.

Also, the council would be able to maintain a register of training courses it has approved to assist AFS licensees and advisers select courses that meet RG 146 requirements. This would lessen the compliance burden for licensees and advisers and also provide certainty for them.

We believe that this alternative solution must be supported by ASIC by mandating that training providers submit their applications to the council to ensure its legitimacy. ASIC should also work together with the industry to issue guidelines so that only relevant industry bodies which maintain high standards and promote professionalism are part of the council.

Any costs for the administration of this assessment model should be offset by an administration fee payable by training providers that submit a course for approval by the council. A cost recovery fee will also ensure that training providers take the approval process seriously and do not submit spurious applications.

We believe that there is an appetite for an industry based solution in the financial advice industry and that this approach would alleviate many of the compliance issues and risks associated with the CP 215 proposal. We would like the opportunity to continue discussing an in industry-based alternative proposal with ASIC in order to further improve education and training standards in the financial advice industry.

CONCEPTUAL: FINANCIAL SERVICES EDUCATION COUNCIL

Council meets on regular (4-6 week) basis to approve programs. Simple list of approved courses is posted on an adjunct to ASIC website

ASIC elected representative associations for the specialist knowledge areas within RG146 (perhaps on annual rotation for multiple representatives):

An example of council representation:

FPA – Financial Planning and Skills

Stockbrokers Association – Foreign Exchange, Securities & Derivatives

NIBA – Insurance Broking (RTO so separation of duties required)

Accounting bodies-Generic knowledge

AFA – Life Insurance

AFMA – Carbon Credits (RTO so separation of duties required)

SPAA – SMSFs

ANZIFF – General Insurance (RTO so separation of duties required)

ABA – Margin Lending and Basic Deposit Products

ASFA – Superannuation (RTO so separation of duties required)

Applications approved by collaborative industry wide voluntary council/secretariat endorsed by ASIC to authorise Training Providers as “Industry approved content”.

Training Providers make application which includes payment of \$x.

Payment offsets some council resourcing plus provides weight to application (note: historically there have been 50-60 new applications per year)

Content developed on RG146 specialist knowledge areas (+ any other minimum requirement identified by industry i.e. Financial Planner course = Financial planning, Life Insurance, Superannuation as a minimum)