Westpac GROUP
EST. 1817

Group Regulatory Affairs
Level 20, 275 Kent Street
Sydney NSW 2000 Australia
Telephone: 02 8253 3445
jmoyes@westpac.com.au

11th October 2013

Ms Nicole Chew
Lawyer, Financial Advisers
Australian Securities and Investments Commission
Level 5, 100 Market Street
Sydney NSW 2000

By email: policy.submissions@asic.gov.au
Nicole.chew@asic.gov.au

Dear Ms Chew,

ASIC CONSULTATION PAPERS
LICENSING: TRAINING OF FINANCIAL PRODUCT ADVISERS
ASSESSMENT AND APPROVAL OF TRAINING COURSES FOR FINANCIAL PRODUCT ADVISERS

The Westpac Group, which includes our Westpac, St.George and BT Financial Group businesses, welcomes the opportunity to comment on the *ASIC Consultation Paper 212 Licensing: Training of financial product advisers* (CP212) and *Consultation Paper 215 Assessment and approval of training courses for financial product advisers* (CP 215). We also appreciate the additional time ASIC allowed for us to provide this submission.

We strongly believe in improving training standards and raising capabilities for financial advisers who are providing personal advice in a holistic and sustainable way. The Westpac Group is already well advanced towards achieving this outcome for our own financial advisers.

However, we share the concerns of industry participants (as reflected in the submissions by the Financial Services Council) that applying a single training standard across the whole spectrum of advice fails to adequately match roles and capabilities to the level of advice given to consumers. The result will be that consumers will be required to pay more for simple, less complex advice due to the costs associated with over qualification of advisers providing that type of advice.

We believe it is possible to achieve increased levels of professionalism across the spectrum of financial advice in an efficient and sustainable way, without sacrificing consumer access to quality advice.

In our view, to support a sustainable approach, changes to ASIC financial services training requirements should be underpinned by the following principles:

1. A holistic approach to sustainably raise professional standards for personal financial advice, with a self regulatory organisation set up to establish a personal advice standards framework.
2. Standards should ensure quality advice without reducing affordability and accessibility. This requires competencies to be appropriately aligned to the complexity of the advice, and distinguish between different types of advice. Importantly, the continued easy and low cost access for consumers to general advice must be maintained and CCI should remain as a Tier 2 product.
3. It is essential ASIC continue to maintain its current training register until the function can be effectively handed over to a self regulatory organisation.

We have drawn from our own experience to propose sensible amendments to ASIC's CP212 and CP215 proposals to create a more cost-effective approach to implementing a higher level of professional standards.

In addition, we have also responded to each of the individual questions raised in CP212 and CP 215 in Appendix 2 of our response.

We would welcome the opportunity to discuss the recommendations in our submission in further detail. In this regard please contact Josh Moyes

Yours sincerely,

Mark Spiers
General Manager - Advice
BT Financial Group

Josh Moyes
Head of Product & Distribution Regulatory Affairs
The Westpac Group

Contents

1 A holistic approach is required to sustainably raise professional standards for personal advice

To achieve sustainable, quality advice outcomes for consumers we recommend adopting a holistic professional development framework for personal advice on Tier 1 financial products as set out below.

Consumers and advisers will benefit from a professional development framework that provides a consistent set of entry and ongoing education standards, applied to improve the quality of advice of all personal advice advisers and creates a level playing field across the industry.

The need to address professional development in a single, holistic framework is critical to see the industry move to a profession.

We recommend:

- A holistic approach to professional development must be adopted for the advice industry to achieve sustained improvements in the quality advice provided to consumers.

1.1 An SRO should establish a personal advice standards framework

We believe that to truly achieve professionalism of financial advice the education and training standards must be directed by the industry.

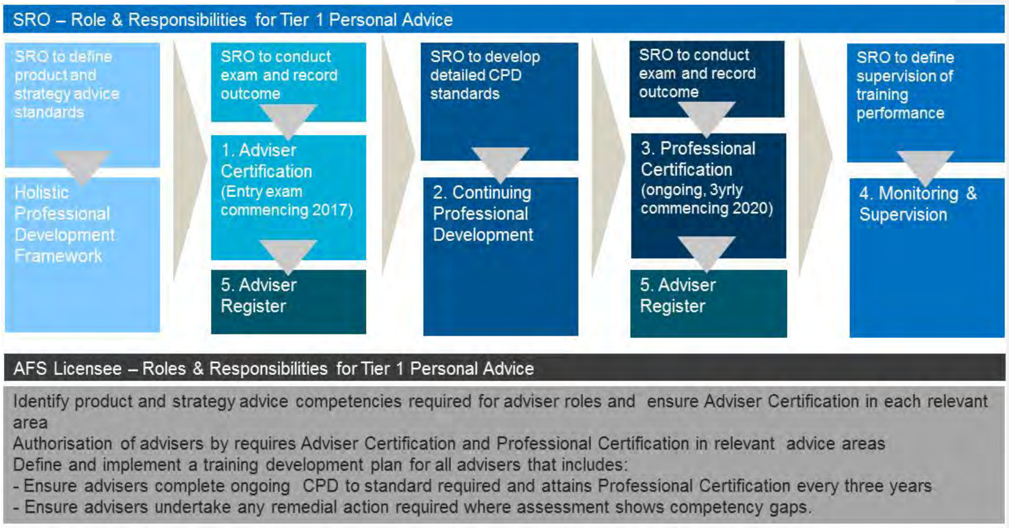
We believe that an industry funded education council that acts as a Self-Regulating Organisation (SRO), with appropriate consultation with ASIC, would be best placed to drive a holistic approach to improve and maintain the quality of advice across the industry.

The advantage of an industry led SRO is that it would be able extend its role beyond financial product advice to take a holistic financial planning approach. This would allow the advice industry to drive competency standards across all relevant topic areas, not only financial products as defined by the Corporations Act, but also to coordinate application of other regulatory standards such as the those defined by the Taxation Practitioners Board to implement with Tax Agent Services Act 2009 (TASA).

Management of education standards for Tier 2 product advice and general advice on Tier 1 should remain with ASIC and outside the scope of the SRO

Diagram 1 below describes what we believe should be the SRO's areas of responsibility in establishing a professional development framework for personal advice. Refer also to Appendix 1 for an explanation of options for the governance and funding of the SRO.

Diagram 1
Holistic Professional Development Framework - SRO Role and Responsibilities



We recommend:

- A Self-Regulating Organisation (SRO) should be established to develop and govern both initial and ongoing education and training standards for all providers of Tier 1 personal financial product advice.
- Management of education standards for Tier 2 product advice and general advice on Tier 1 should remain with ASIC and outside the scope of the SRO.

1.1.1 Defined standards –degree level, modular structure for Tier 1 personal advice

We support the proposal to raise the minimum training requirements for Tier 1 financial product advice to a level equivalent to AQF 7 (Degree standard).

- We agree that the education standards for personal advice need to be raised from their current level if we are to increase consumer confidence in financial planning and improve the quality of advice.
- Higher standards will also help deliver the quality advice goals implicit in the recent Future of Financial Advice (FoFA) reforms.

However we recommend that a modular approach be taken to the education requirements. Consumers, advisers and industry would benefit from such an approach. For example:

- A modular approach allows for a more cost effective provision of advice services compared with a non-modular approach where, for example, a financial planning degree qualification covering all advice specialisations would be required to provide personal advice on death only insurance cover. As a result, ensuring the affordability and accessibility of scaled advice for consumers.

- Provides the flexibility to allow currently qualified advisers and new advisers to progressively extend their knowledge and skills to new areas of advice specialisation.
- A modular approach is best suited to scaled advice business models which provide for the development of representatives' knowledge and skills to the standard required in only those areas relevant to their activities.
- A modular approach also assists industry to adapt flexibly to changes in regulation, markets, products and participants over time.

We also believe a Cognitive Task Analysis (CTA) approach, as proposed by ASIC, should be used to determine the competencies needed to provide quality personal advice as this approach is a key input into the appropriate level of education and training standards.

We recommend:

- Minimum training requirements for personal advice on Tier 1 products to a level equivalent to AQF 7 (Degree standard).
- A modular approach to education requirements is taken to allow scaled advice.
- Advice education standards should be based on CTA to determine competency requirements for quality personal advice.

To ensure that education providers are providing the education and training at the required standards:

- The SRO should make use of the CTA work completed and develop these standards in further detail to enable education providers to produce relevant training and assessment programs.
- Education providers should ensure courses and programs developed meet the standards defined by the SRO otherwise advisers and AFS Licensees will not engage them for their training services.
- The SRO should also consider an approach where education providers are able to give details of their programs to the SRO to review and confirm equivalence to those standards.

We recommend:

- The SRO develop standards in further detail to enable education providers to produce training and assessment programs to the level required.

We believe the current focus of competencies in the specialist knowledge areas is still too reliant on financial products and does not take into account the critical thinking required to develop financial strategies and solutions in each specialist area.

The quality of advice is driven by the appropriateness of the strategies and solutions. We believe that skill development in this area is paramount in order to analyse complex scenarios, develop strategies and solutions prior to recommending financial products.

We recommend:

- We recommend ASIC introduce a new competency or cluster to recognise the importance of strategy and solution development as part of personal advice.

1.1.2 Adviser Certification - entry level accreditation for all advisers

We believe that the SRO should conduct an accreditation exam to assess competence in each knowledge area. Only students who successfully complete the accreditation exam to the required standard should be granted Adviser Certification.

Transparent standards of competency, published by the SRO, would allow recognised education providers to conduct their own assessments to the same standards with the added benefit of providing consumers with confidence of the quality of the courses and assessments completed.

Equivalent assessment conducted by recognised education providers should be recognised by the SRO to ensure that students are not required to complete a duplicate assessment task to attain Adviser Certification.

We recommend:

- All advisers should complete an accreditation exam to gain Adviser Certification in the areas they wish to provide Tier 1 financial product advice.

1.1.3 Using the term "Financial Planner" should require degree qualification

Developing the professional standing of well qualified and competent advisers and allowing consumers to easily recognise advisers who have achieved sufficient accreditation to provide holistic personal advice is important. We recommend that only those advisers who have obtained Adviser Certification in a defined minimum set of subject areas, equivalent in scope to a degree or higher qualification, should be able to use the terms "Financial Adviser", "Financial Planner" or equivalent. The self-regulating organisation should define the minimum certification to use these terms.

We recommend:

- Restricting the use of the term "Financial Planner" to those who have completed minimum certified training.

1.1.4 Ongoing professional development - standards and certification

To achieve long lasting improvements in personal advice capability, both the entry and ongoing standards need to be considered together as part of the holistic professional development framework.

We recommend the SRO should also define the framework for ongoing professional development that includes:

- Defining the minimum ongoing professional development required for personal advice providers to maintain competence in each area of knowledge or skill applicable to the industry participant's role.
- Reinforcing key competencies and remediating apparent gaps in competencies that may have been identified by ASIC, dispute resolution bodies, and industry participants.
- A regular, three yearly, assessment on advisers' competency in key areas should be completed in the form of a Professional Certification exam. (Similar to ASIC's proposal of a knowledge update exam in CP153).
- A Professional Certification assessment which follows a modular approach (as outlined above) to cater for the various needs of industry participants.

We recommend:

- Defined standards for ongoing professional development are required to support quality advice.
- An SRO should develop the ongoing professional development framework to maintain standards.
- Professional Certification should be maintained through a regular (three yearly) assessment of advisers' competency.

1.1.5 Integrity – Supervision of accreditation

To ensure confidence and integrity in the process of attaining and maintaining certification, we believe there needs to be common principles for the supervision of completion of education and training and completion of assessments. For example, require proper supervision of the completion of any online accreditation.

We recommend:

- The SRO to set industry standards for monitoring and supervision of education and training performance.

1.1.6 Transparency - Publicly available register of adviser certification

Our view is that a publicly available register of Adviser Certification would have benefits for all stakeholders:

- Consumers would be able to confirm if their Adviser has obtained certification in the areas they are seeking advice, and give them confidence in the competence of the provider of the personal advice they receive.
- AFS Licensees to be able rely upon a single source to confirm certification of the representative for the financial product advice services. A single source may assist AFS Licensees to monitor 'bad apples' and ensure the professionals in the industry are protected by these standards and reinforcement of such.
- ASIC would not need to maintain the training register for this area of personal advice. The SRO certification of advisers would be awarded only upon demonstration of competency through completion of Adviser Certification and Professional Certification examinations proposed. The Adviser Certification Register would focus on competency assessed on completion of relevant training courses, rather than the training course. (Please also see section 0 for further detail of our position regarding ASIC's proposals in CP215 regarding the current training register)

Deleted: 3

We recommend:

- The SRO establishes a publicly available record of Advisers' Certification.

1.2 Reconsider exemption for paraplanners

We would encourage ASIC to review its exemption for paraplanner roles involved in the provision of personal advice. We believe these roles are integral to the advice process and therefore influential in the personal advice provided. Large licensees already require their paraplanning roles to adhere to the same standards as the advisers and therefore this change would not be significant and bring all Licensees into a level playing field.

Requiring paraplanners to meet the same competency standards will also create the opportunity for the career pathways into the industry, to allow new entrants to enter into the industry based on their level of education and experience and ensure consumer confidence in the advice they receive.

We recommend:

- RG146 requirements apply to paraplanners developing personal advice.

1.3 Accountants ‘class of product’ advice’ must be at similar standard

Our view is that the recommended holistic professional development framework should also apply to Accountants who are authorised to provide personal financial product advice under the new Limited AFS Licence arrangements. The same standards should apply because:

- Many accountants provide personal financial product advice to consumers, particularly in relation to superannuation strategies.
- We believe consumers should gain the same protections and benefits generated by higher minimum standards for quality advice.
- The standards must be consistent to ensure a level playing field with the changes occurring for financial advisers with the application of TASA education and training requirements.

We recommend:

- RG146 should apply equally to the financial product advice provided by Accountants so that consumers have access to the same protections and benefits of quality advice education.

1.4 Personal advice on Tier 2 products

We support the proposed increase for Tier 2 personal advice to Certificate IV due to the nature of the personal advice whilst recognising the generally less complex nature of Tier 2 products. For these reasons we do not agree that a further transition to Diploma level is required.

We recommend

- Accreditation requirements for personal financial product advice on Tier 2 financial products should increase to Certificate IV, aligned with the transition proposed for Tier 1.

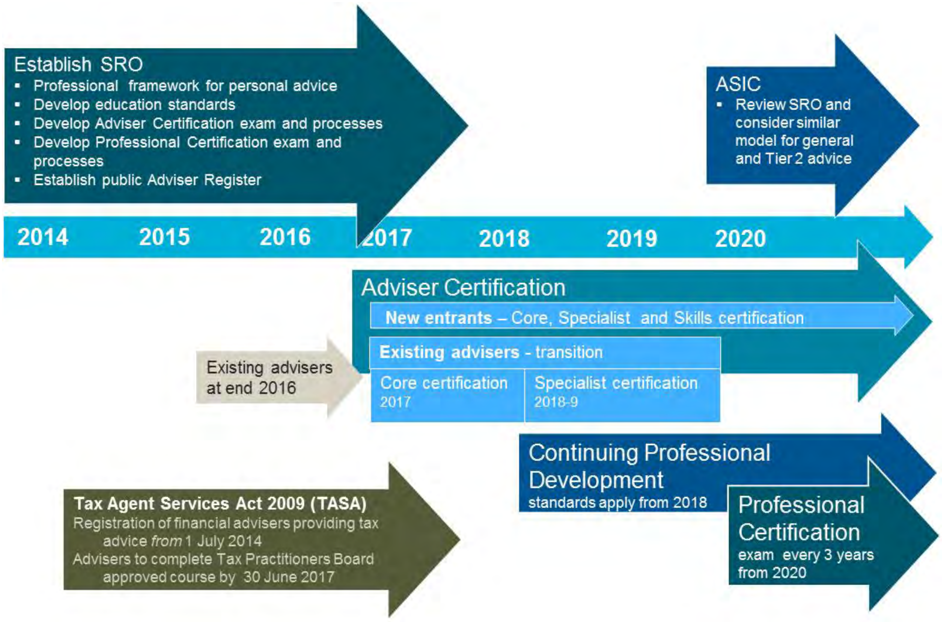
1.5 Transition to the new standards should be a single step

The success of the transition will be determined by allowing the various participants adequate time to prepare and implement training and assessments to the increased standards:

- The industry requires adequate time to establish an SRO and define the standards – estimate up to 2 years
- The education providers allow adequate time to amend and prepare the training courses and materials – an additional 12 months
- The advisers need adequate time to prepare for the examination and assessments.

The risks of transitioning early outweigh the benefits of a single step transition which aligns to other education changes specifically TASA as well as impacting the effective embedding of other FoFA and Stronger Super regulatory changes.

Diagram 2
Transition for SRO managed personal advice



For advisers authorised for personal financial advice at the end of 2016 we recommend that transitional assessment and certification commence during 2017 and be completed over a two year period so that at the end of 2019 all existing advisers have completed certification in relevant subject areas.

Our recommended framework would see Tier 2 product advice and general advice on Tier 1 products remain set by ASIC and outside the scope of the SRO. We propose that ASIC review this approach once the SRO had completed its implementation of a professional development framework for Tier 1 personal advice and completed one round of the proposed regular Professional Certification (estimated in 2020).

We recommend:

- All existing and new advisers should obtain certification during 2017 at the new standards defined.
- Continuing professional development programs at the new standards should commence from 2018.
- Professional Certification should commence from 2020.

2 Standards should ensure quality without reducing affordability and accessibility

We believe the spectrum of advice from basic general advice through to complex personal advice requires education and training standards that ensure continued access to affordable financial product advice.

To align with the FOFA objectives[1] the standards should increase with the degree of complexity of the advice to ensure the relevant needs of consumers are met with appropriate levels of consumer protection and affordability.

Higher standards are essential, but there is a risk that we may unnecessarily overburden financial advisers and drive up the cost of advice. If the education standards required are set at a level that exceeds those required to provide competent, professional advice, the additional cost will eventually passed to consumers without any associated benefit provided.

In particular, competency requirements need to recognise that Tier 2 products are less complex. Tier 2 products are not complex in nature and are generally well understood by the consumer.

Our view is that the current accreditation requirements for Tier 2 financial products allow low cost access to appropriate levels of advice for which industry participants have implemented suitable monitoring and other controls to manage advice risks.

Also, general advice plays an important role in providing consumers with product and market information, which allows them to make educated product decisions on less complex financial matters without incurring costs associated with personal advice.

Those costs include the search for an appropriate advisor, time required to submit to a personalised needs analysis and fees charged for the provision of the personalised advice and services.

We recommend:

- Affordable and accessible advice requires alignment of education standards with complexity of advice.
- Costs incurred and benefits obtained by the consumer must be carefully weighed to ensure value is generated from raising standards.

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[1] Bill Shorten, Minister for Financial Services & Superannuation, '*Better Access to Financial Advice*' 27 February 2013 <http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2013/011.htm&pageID=003&min=brs&Year=&DocType>

2.1 Competencies for general advice should distinguish between simple and complex scenarios

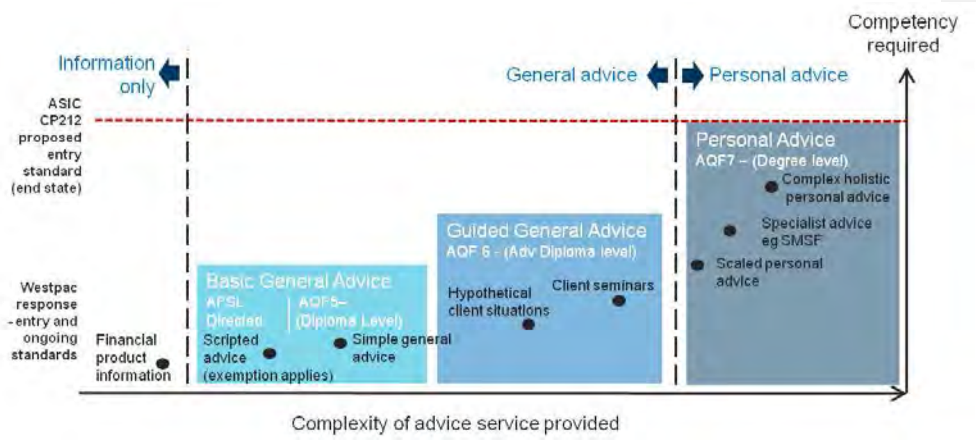
2.1.1 Framework for general advice education needs to cater for complexity

We have outlined our recommended framework below, where the distinction in advice standards appropriately caters for the increasing complexity as you move up the spectrum of advice (refer to Diagram 3).

The provision of general advice occurs across a variety of service models ranging from scripted client assistance, one-to-one conversations, newsletters, internet content and client educational seminars. The educational standards for general advice must vary according to the complexity of the service provided. In essence, we believe that the different types of general advice can be broken into “basic general advice” and “guided general advice”. (Our recommendations for general advice are provided in the following sections).

Personal advice on Tier 1 financial products requires additional strategy development and skills competency related to conducting an advisory process with individual consumers. (Our recommendations for personal advice are presented in section 1).

Diagram 3 –
Spectrum of advice services on Tier 1 products



2.1.2 Higher standards for ‘Guided’ general advice

Accreditation requirements for general advice on Tier 1 products should be considered in terms of the complexity of the advice provided. Our view is that more complex general advice needs to be distinguished, to add a ‘Guided’ general advice category, so that a higher standard of education can be applied for the following reasons:

- Higher levels of competency are required to deliver more targeted, scenario based, general advice services as compared to delivering more simple general advice.

- Across the industry we are seeing an increase in more targeted general advice marketing and services. The increased sophistication of profiling of consumers and the ability to match generalised life stage needs with product features and benefits is an area which requires a greater level of competency.
- Advice providers who provide general advice through client seminars are more likely to influence consumers. Clients are often selected based on demographic segments for these types of advice events and are looking for advice. A higher level of competence is required to develop and present at such seminars, and to respond to questions.
- Particularly where hypothetical client situations are considered 'Guided general advice' requires a greater level of competence and is often is intended to guide clients as to available financial strategies and financial products and is more likely to influence consumer decisions.
- Defining two sub-categories 'Basic' General Advice and 'Guided' General Advice, would allow education and training standards to reflect the different level of competency required.

Therefore we recommend a higher education standard than for 'Basic general advice' to increase the level of consumer protection.

We recommend:

- More complex general advice on Tier 1 products – 'Guided' general advice should be distinguished from 'Basic' general advice.
- Raising education standards for general advice to Advanced Diploma level, but *only* for more complex general advice on Tier 1 products.

2.1.3 Standards for 'Basic' general advice should remain unchanged

We do not agree with the proposal to raise the standard of education for all general advice because:

- The level of education required to deliver competent advice should vary according to complexity of the advice service provided.
- The level of education and competence required to provide 'Basic general advice' is not the same as needed for more complex, 'Guided general advice'
- The risks of increasing the depth of knowledge and skills as proposed in CP212 for 'basic general advice' increases the likelihood of advice providers moving into the realm of personal advice and consumers receiving inappropriate advice.
- Our view is that there will be limited consumer protection benefits generated by the increased standards and will be outweighed by the increased cost to access advice services.

We recommend:

- Education standards for all other general advice, 'Basic' general advice, should remain unchanged. That is, at Certificate III level accreditation for Tier 2 products and Diploma level accreditation for Tier 1 products.

2.1.4 Current RG146 exemptions, such as for scripted general advice, should remain unchanged

We strongly support ASIC's intention to make no changes to the current exemptions in RG146. We believe the controls in place to support these exemptions, e.g.: scripted advice, provide the appropriate levels of consumer protection and should remain unchanged.

We recommend:

- Current exemptions in RG146 should remain unchanged.

2.2 Additional generic knowledge and skills requirements are only relevant to personal advice

The additional topics proposed for Generic Knowledge, are valuable additions for personal advice, but in most cases not relevant to general advice. Our reasons for this are:

- The additional topics relate to either the personal advice process, for example risk profiling, or to taxation advice (please see our detailed response to ASIC question B1Q2 in CP212 provided in Appendix 2).
- We view these topics as core to Financial Planning Knowledge and other specialist knowledge areas.
- These topics should be mandatory only for those providing personal advice on Tier 1 products.
- Providing training on aspects of the personal advice process to general advice providers increases the risk of general advice broadening into the provision of personal advice.
- The CTA upon which the CP212 proposals are based was predominantly completed by engaging providers of personal advice. It is our view that the results of the personal advice CTA should not be automatically applied to general advice due to the significant difference in the complexity of the advice.

Therefore our view is these topics should be placed into the relevant specialist knowledge areas to be mandatory only for those who provide personal advice, rather than the Generic Knowledge area that applies to all advice.

We support ASIC's approach to not apply the Skills requirement for general advice providers because:

- General advice services do not require the same complex engagement skills as required for personal advice services.
- The Skills component is focussed on the competencies required to provide personal advice on Tier 1 products. For example, to engage with individual clients to elicit relevant facts, needs and circumstances, assess competing and conflicting priorities and communicate recommendations of strategies and solutions applicable to personal advice.

We recommend:

- The additional topics proposed for Generic Knowledge should be positioned in Financial Planning Knowledge subject area.
- The skill requirements for general advice should remain unchanged. That is, not mandatory for advice providers.

2.3 Consumer Credit Insurance should remain as a Tier 2 product

ASIC has indicated it is concerned that some consumers do not understand the nature of the Consumer Credit Insurance (CCI) product they purchase and the terms and conditions associated with it.

We do not believe that this is the result of insufficient training requirements for advisers, and therefore, we do not support the proposal to re-classify CCI products to a Tier 1 product, and consequently, increase the training requirements associated with this product.

Our view that CCI should remain a Tier 2 product is based on the following:

- CCI is a straightforward product: CCI products, where insurance is limited to an underlying credit contract (such as a credit card, personal loan or home loan) are straightforward in that they provide standard types of cover for the death of the insured or the insured contracting a sickness or disease, sustaining an injury, or becoming unemployed.
- Clear Disclosure: While CCI products must by their very nature contain some restrictive policy terms and conditions such as exclusions for voluntary resigning and pre-existing conditions, the number of exclusions are generally far fewer than would be contained in other general insurance products for example such as a home and contents policy.
- CCI is accessible and affordable. CCI provides an affordable alternative to more complex life insurance products sold by financial planners. For the large number of customers who are unlikely to seek financial advice from a Tier 1 trained adviser, CCI provides protection in respect of the new debt they are taking on.

In our view, the straightforward nature of our traditional consumer credit insurance products coupled with the improvements made to sales practices resulting from ASIC's Report 256,we cannot see a clear rationale for changing the classification of consumer credit insurance products from Tier 2 to Tier 1. Our customers who buy CCItell us they do so because they find the products simple, convenient and affordable.

If ASIC is concerned at some industry participants are offering more complex product under the title 'CCI' we submit this could be more appropriately addressed by ASIC providing detailed guidance on characteristics of products which should be excluded from the definition of a CCI product.

Please see our detailed response to the ASIC CP212 proposal questions in section F.2 of Appendix 2.

We recommend:

- CCI should remain as a Tier 2 product.

3 CP 215: the training register needs to be maintained by ASIC and the SRO

3.1 ASIC should maintain the training register as an interim measure

ASIC adopted a new approach from 24 September 2012 that has required AFS Licenses to verify the relevance and quality of new training courses directly with the Registered Training Organisations (RTO). The new approach does not appear aligned with improving consumer confidence or retaining affordability of advice.

We believe the training register should be re-established by ASIC because:

- It has resulted in a shift in cost to AFS Licensees and duplication of cost as it is multiplied by the number of AFS Licensees that must verify qualifications with each RTO to appoint new advisers. The additional resource and cost burden on AFS Licensees will eventually be borne by consumers.
- The ASIC approach also directly impacts the ability of Licensees to appoint new advisers in a timely manner. For example, to verify qualifications using the ASIC Training Register takes under 10 minutes, however the new approach can take anywhere between 2 hours – 2 weeks (dependent on the number of RTOs that need to be contacted and their ability to respond in a timely fashion).
- There is the risk that not all RTOs will have the capacity and capability to respond to all requests from Licensees across the industry. Resourcing may result in AFS Licensees not being able to authorise competent advisers and also might require those advisers to complete the same training and assessment again with another education provider.
- As AFS Licensees are allowed to determine the standard’s appropriateness in the current interim period, we believe this dilutes the standards in our industry and increases the inconsistency in the education and training standards of advice providers.

We recommend:

- ASIC re-establish the training register for all advice providers in the interim to ensure integrity in this industry in implementing RG146.

3.2 The SRO should take on the current functions of the ASIC register for personal advice

As a longer term solution, we recommend an alternative approach for personal advice that is aligned to the framework that we have proposed in response to CP212. In relation to personal advice on Tier 1 products the SRO would:

- Provide guidance on standards to educators and provide a central source for AFS Licensees and advisers to confirm what knowledge and skills accreditation a particular subject or course will provide to a successful student.

- Conduct an entrance exam for all advisers to gain Adviser Certification that will give consistency of entry standard across all personal financial advice providers.

- Establish an Adviser Certification Register that is publicly available to provide confirmation whether an individual adviser has attained the required entry and ongoing standards.

If the SRO approach is successful, ASIC could consider this model for relevant general advice education standards and education standards for personal advice on Tier 2 products.

We recommend:

- The SRO approach for personal advice on Tier 1 products will provide a robust substitute for the ASIC register.

Appendix 1. Operation of the SRO

The SRO should have a mandated role

In order for the SRO to operate effectively it must act within the scope of a formal mandate to set education and training standards for personal financial advisers.

We propose that ASIC incorporate in RG 146 the high level principles for personal advice with AFS Licensees directed to adhere to the SRO's professional development framework. The inclusion in RG146 would ensure a level playing field across the industry for all personal advice participants.

The organisation needs to be adequately funded by the personal advice industry. Funding might be by compulsory subscription of all AFS Licensees that are authorised to provide personal advice, similar to the way FOS is funded. An alternative option would be to generate fees by charging AFS Licensees for each listing on the Adviser Register and/or to levy fees for advisers undertaking Adviser Certification and Professional Certification assessments. Alternative funding models require further analysis to extend the work previously commissioned to engage the large Licensees to be formally bound by the SRO.

We recommend:

- All AFS Licensees that are authorised to provide personal financial product advice must be required to adhere to the professional development framework that is established by the SRO.
- Relevant AFSLs should provide funding to establish and maintain the SRO.

Members and governance

The stakeholder group that must be engaged to participate in the organisation's operation and governance must include ASIC, consumer representatives, relevant industry associations, as well the subscribing AFS Licensees. A key part of the governance structure must include oversight by ASIC.

We recommend:

- The SRO must provide a mechanism for all stakeholders to contribute to its operation.
- ASIC must play an oversight role to ensure good governance.

Appendix 2. Detailed responses to ASIC questions

Refer to following pages

APPENDIX 2 – Detailed responses to ASIC questions

ASIC Consultation Paper 212: Licensing: Training of financial product advisers – Update to RG146

ASIC CP212 Proposals & Questions	Responses
B1 We propose to: **a) make *all* the generic knowledge topics in the draft updated Table A1 'Generic knowledge' in Appendix A mandatory for advisers undertaking training under Regime B and Regime C who provide general advice and personal advice on Tier 1 products, although the level of detail required will vary; and** **b) introduce for Regime B and Regime C an additional sub-topic under the topic 'The economic environment' and introduce the following 12 new topics:** **i) 'Financial structures and their taxation implications';** **ii) 'Demographic trends and their impact on markets over the long term';** **iii) 'Concepts in behavioural economics';** **iv) 'Budgeting';** **v) 'Risk profiling/risk tolerance';** **vi) 'Life stages and their characteristics';** **vii) 'Life events and their characteristic consequences';** **viii) 'Awareness of taxation';** **ix) 'Ethics';** **x) 'High-level knowledge of social security regulations, provisions and legislation';** **xi) 'High-level knowledge of the relevant legislation as it applies to trusts and self-managed superannuation funds'; and** xii) **'Complaint processes and agencies'.**	
B1Q1 Do you agree that knowledge of all topics in generic knowledge should be mandatory for advisers undertaking training under Regime B and Regime C who provide general advice and personal advice on Tier 1 products? If not, why not?	The existing RG146 Generic Knowledge topics are relevant to both general and personal advice on Tier 1 products. However many of the additional topics proposed are not relevant to general advice as they relate to a personal advice process, and are therefore better placed in the Financial Planning specialisation or one of the specialist product areas.

APPENDIX 2 – Detailed responses to ASIC questions
ASIC Consultation Paper 212: Licensing: Training of financial product advisers – Update to RG146

<table>
<tr><th>ASIC CP212 Proposals & Questions</th><th>Responses</th></tr>
<tr><td>B1Q2 Do you agree with our proposed changes to the topics for generic knowledge? If not, why not?</td><td>Many of the additional topics are not required to provide general advice as they relate to the process of providing personal advice on Tier 1 products. We believe these topics are better placed in the Financial Planning specialisation.

General advice providers are not able to provide advice relevant to specific client circumstances, therefore generic knowledge training is not required in the following topic areas as they relate to performing the advice process:
‘Concepts in behavioural economics’;
‘Budgeting’;
‘Risk profiling/risk tolerance’;
‘Life stages and their characteristics’;
‘Life events and their characteristic consequences’;
The following topics are specialised and should be aligned with the TASA requirements and should be recognised by RG146 requirements to avoid duplication. Otherwise, the application and implications of entity structures, financial structures and taxation should be considered in Financial Planning and other relevant specialist areas:
‘Financial structures and their taxation implications’;
‘High-level knowledge of social security regulations, provisions and legislation’;
‘High-level knowledge of the relevant legislation as it applies to trusts and self-managed superannuation funds’.
Generic Knowledge should be limited to the topic proposed ‘Awareness of Taxation’ to provide high level knowledge of the potential application of taxation. Detailed knowledge should be attained and accredited through the TASA accreditation process.</td></tr>
<tr><td>B1Q3 Do you think it is appropriate for ‘financial structures and their taxation implications’ and ‘awareness of taxation’ to be included as new topics, given that it is proposed that the Tax Agents Services Act 2009 and relevant regulations will apply to advisers who provide tax (financial) advice services?</td><td>As above in B1Q2 these topics should be placed in relevant specialist areas for personal advice upon Tier 1 products only.

To avoid duplication of cost and effort there needs to be mechanisms in place to recognise training required by both regulatory environments. We recommend that RG146 recognise education standards that meet the TASA requirements in this area.</td></tr>
</table>

APPENDIX 2 – Detailed responses to ASIC questions
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ASIC CP212 Proposals & Questions	Responses
B1Q4 Do you think knowledge of the additional topics in generic knowledge should only apply to advisers undertaking training under Regime B and Regime C who provide personal advice on Tier 1 products? (This would mean there would be no change to the generic knowledge requirements for advisers who only provide general advice in this area.) If yes, please provide reasons.	As above in B1Q2 and B1Q3 we recommend that these topics should be placed in relevant specialist areas for personal advice upon Tier 1 products only as the topics are not relevant to the provision of general advice.
B1Q5 Are there any additional generic knowledge topics we should include? If yes, please describe them.	No additional topics proposed.
B1Q6 Do you anticipate any practical difficulties that would result from complying with the proposed additional generic knowledge requirements? If yes, please provide details.	We note the following potential practical difficulties: • Productivity impacts on L&D departments maintaining training requirements for 3 regimes • Struggles to attract new staff and retain staff who have (or are willing to obtain) the higher educational level. This is likely to have a particular impact for our regional network given the diverse regional areas we operate in, for example, Christmas Island, Lightening Ridge, etc. • Reduced availability of advice to our customers while training new staff (please note that new staff may result from natural turnover or expanding branch network or new financial planning practices) • Frontline productivity impacts as increased time away from the role for new staff undertaken initial and ongoing training requirements (as the training time required to be deemed competent for the role has increased)
B1Q7 Do you consider that the proposed changes to the topics for generic knowledge will affect the quality of advice consumers receive? If so, please provide details, both positive and negative.	As per B1Q2 there is limited application of the additional topics to general advice providers and therefore it is unlikely to affect the quality of general advice provided. For the reasons given, we believe these to be unnecessary. We support raising the standards for personal advice where the competencies to deliver quality advice require greater breadth of topics or deeper knowledge within a topic area. We agree these are valuable additional topics. However, they are relevant to conducting a personal advice process and taxation specialisations, and so should be positioned in other appropriate specialist knowledge streams, not the generic knowledge area. We also wish to make the general observation that any additional training does not by itself always improve quality of advice. Additional training modules are only part of picture, as behavioural coaching, ongoing monitoring and alignment to the advice process is required to develop and maintain skills required to achieve a specified standard of advice. This comment applies equally to other additional topics proposed such as the Securities topics and our response in B3Q5.

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<table>
<tr><th>ASIC CP212 Proposals & Questions</th><th>Responses</th></tr>
<tr><td>B1Q8 Do you consider that the proposed changes to the topics for generic knowledge will impose additional costs on advisers and AFS licensees? Please provide specific details.</td><td>For the various businesses operating in our group an increase to mandatory education standards will lead to additional costs in the following areas:

Costs and time associated with redeveloping training material
Costs and productivity impacts on L&D departments maintaining training requirements for 3 regimes
Increase ongoing training costs as higher standards drive increased training requirements
Increased recruitment costs to find staff who have or are willing to obtain the required educational level
Likely increase in salary to attract and retain staff with the increase in knowledge, skills and experience required in advice roles
Sales impacts on revenue and as the availability of advice to our customers is reduced commensurate with increased levels of training
Frontline productivity impacts as increased time away from the role for new staff(as the training time required to be deemed competent for the role has increased) and ongoing training
Potential for increased costs associated with implementing tighter controls around advice provided under a scripting module (e.g. additional mystery shop assessments).

For the reasons set out above, we do not think the changes set out in B1 are appropriate in the form they are proposed. However for the changes proposed in B1 above, additional modules of training will need to be developed and undertaken by at least new employees for which we estimate the costs to be in the region of $1.5-2 million for the change in generic knowledge activity alone across all business channels.

To provide this estimate we have considered the initial and annual costs associated with providing additional training to new representatives (including employees), and to provide ongoing training each year. It includes the training time required for representatives each year new and existing representatives and average salary per hour. We have also included estimates of development costs for online training applications and learning management systems to manage the three regimes of capability indefinitely, compared with the current approach.</td></tr>
<tr><td colspan="2">B2 We propose to include the following additional topics in the financial planning specialist knowledge requirements for Regime B and Regime C:

(a) ‘Detailed knowledge of social security’; and

(b) ‘Providing financial advice to older Australians’.

We propose that the additional topics will apply to both general and personal advice.</td></tr>
</table>

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ASIC CP212 Proposals & Questions	Responses
B2Q1 Do you agree with these proposed additional topics? If not, why not?	Agree that these topics should be added as proposed for personal financial product advice and those who provide general advice that considers client situations requiring social security knowledge. This is an area of specialist knowledge linked to superannuation, taxation aspects of advising older Australians. Ideally, it should be covered by a specialist subject dealing with estate planning and aged care.
B2Q2 Do you think that the proposed additional topics should only apply to advisers undertaking training under Regime B and Regime C who provide personal advice in financial planning? (This would mean there would be no change to the financial planning specialist knowledge requirements for advisers who only provide general advice in this area.) If yes, please provide reasons.	These topics should be required for advisers providing both general advice and personal advice under Regime B and C. The completion of specialist training and accreditation in these subject matter areas needs to be transferable from general to personal advice in order to provide flexibility to businesses and career progression to advisers through developing their knowledge.
B2Q3 Do you consider that there are any practical difficulties with complying with these proposed additional requirements? If yes, please provide details.	The availability of suitable courses for both new and existing advisers within the transition timeframe may be a limiting factor.
B2Q4 Are there any other topics we should include in 'Financial planning (specialist knowledge)'? If yes, please describe them.	No additional topics proposed.
B2Q5 Do you consider that the proposed changes to the financial planning specialist knowledge requirements will affect the quality of advice consumers receive? If so, please provide details, both positive and negative.	The addition of these topics is expected to improve quality of advice to consumers seeking advice in this area.
B2Q6 Do you consider that the proposed changes to the financial planning specialist knowledge requirements will impose additional costs on advisers and AFS licensees? Please provide specific details.	The addition of these topics will require development of new training and completion of the training by planners. Costs will also accrue from developing and implementing training that will cover any gaps for existing advisers so that we can manage one regime (rather than three).
B3 We propose to include the sub-topic 'Portfolio construction' under the topic 'Theories of investment, portfolio management, and management of investment and risk' in the securities markets specialist knowledge requirements for Regime B and Regime C. **We propose that the additional sub-topic will apply to both general and personal advice.**	

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ASIC CP212 Proposals & Questions	Responses
B3Q1 Do you agree with this proposed additional sub-topic? If not, why not?	We agree that this sub-topic should be added given the importance of portfolio construction in the overall risk-return outcome for the client
B3Q2 Do you think that the additional proposed sub-topic should only apply to advisers undertaking training under Regime B and Regime C who provide personal advice on securities? (This would mean there would be no change to the securities markets specialist knowledge requirements for advisers who only provide general advice in this area.) If yes, please provide reasons.	This sub- topic should be required for advisers providing both general advice and personal advice under Regime B and C.
B3Q3 Do you consider that there are any practical difficulties with complying with this proposed additional requirement? If yes, please provide details.	The availability of suitable courses for both new and existing advisers within the transition timeframe may be a limiting factor.
B3Q4 Are there any other topic areas we should include in 'Securities markets (specialist knowledge)'? If yes, please describe them.	ASIC states paragraph 44 of CP212 there is insufficient attention given by advisers to strategic advice. To respond to this each product specialist knowledge area should include a specific component relating to the advice strategies applicable to the specialist product. This is why the portfolio construction component proposed for the Securities stream is important. Each product specialisation must include knowledge training on how the types of products are used in an advice context and common advice strategies used for common client circumstances.
B3Q5 Do you consider that the proposed changes to the securities market specialist knowledge requirements will affect the quality of advice consumers receive? If so, please provide details, both positive and negative.	The addition of these topics is expected to improve quality of advice to consumers. Enhancing core knowledge in any area should result in an improvement of the quality of advice due to the adviser's understanding of a complete picture of issues to consider. For a number of licensees this may not add significant improvement due to the consistent use of model portfolios to manage risk and appropriate research and monitoring of the underlying funds. However, the lack of specific requirement for knowledge training on how to utilise securities products in specific advice strategies is not likely to result in achieving the objective of substantially raising advice quality. For this reason we recommend adding a Planning Strategies and Solutions category to each specialist product knowledge stream.
B3Q6 Do you consider that the proposed changes to the securities market specialist knowledge requirements will impose additional costs on advisers and AFS licensees? Please provide specific details.	Additional training always adds a cost to advisers and/or licensees, both actual outlay and time out of their business. For existing advisers these costs may act as a deterrent to an adviser expanding their skill base and could be a negative impact on the industry.
B4 We propose to include the following additional sub-topics in the superannuation specialist knowledge requirements for Regime B and Regime C: **(a) under the topic 'Operation and management of the superannuation industry', we propose to add the sub-topics 'Transition-to-retirement products', 'Structuring for superannuation' and 'Defined contribution and defined benefit funds/arrangements'; and**	

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<table>
<tr><th>ASIC CP212 Proposals & Questions</th><th>Responses</th></tr>
<tr><td colspan="2">(b) under the topic ‘Legal environment—disclosure and compliance’, we propose to add the sub-topic ‘Benefits and risks of certain superannuation structures’.

We propose that the additional sub-topics will apply to both general and personal advice.</td></tr>
<tr><td>B4Q1 Do you agree with these proposed additional sub-topics? If not, why not?</td><td>We support the inclusion of the proposed additional topics for personal and general advice. However it should be noted that there are taxation issues for each of the items proposed which need to be explored within the ‘taxation’ component of this specialist area. There are also compliance related issues particularly with respect to the “structuring of superannuation” element.
We strongly recommend the inclusion of ‘transition to retirement products’ should be ‘transition to retirement strategies’.
We need to move the CP212/RG146 from product focused advice to client focussed advice. If ASIC is serious about raising the quality of advice then within the specialist knowledge areas it needs to focus on strategies not just product competencies.
Therefore, as above in our response to Question B3Q4, each specialist product area should include a Planning Strategies component dealing with relevant advice strategies that utilise the financial product to solve a client problem.
We recommend the ‘benefits and risks of certain superannuation structures’ should be incorporated to this stream by introducing into A2.5 the category ‘types of products’ that deals with different superannuation structures and products.
How different superannuation structures and product options should then be incorporated into the proposed Planning Strategies component for superannuation.
We note the absence of specific reference to SMSF advice. This is an important and growing area of advice specialisation. Therefore we recommend a base level of knowledge and awareness is developed in the ‘types of products’ category proposed above, with a separate detailed level of knowledge specialisation required for SMSF advice.</td></tr>
<tr><td>B4Q2 Do you think that the proposed additional sub-topics should only apply to advisers undertaking training under Regime B and Regime C who provide personal advice on superannuation? (This would mean there would be no change to the superannuation specialist knowledge requirements for advisers who only provide general advice in this area.) If yes, please provide reasons.</td><td>The proposed sub-topics should apply to both general and personal advice.</td></tr>
<tr><td>B4Q3 Do you consider that there are any practical difficulties with complying with these proposed additional requirements? If yes, please provide details.</td><td>It is important that ‘gap training’ is available which allows an individual, where appropriate, to update their qualifications/competencies in the area(s) they are deficient, and allow development of advice to include SMSF if training not already completed.</td></tr>
<tr><td>B4Q4 Are there any additional topic areas we should include for ‘Superannuation (specialist knowledge)’? If yes, please describe them.</td><td>The following should be considered:
• Foreign Superannuation Funds (UK Pension Accounts).
• While not a foreign super fund, US 401(k) schemes could also be covered
• Constitutionally protected funds</td></tr>
</table>

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ASIC CP212 Proposals & Questions	Responses
	As above ASIC should introduce a specialist knowledge area for SMSF. This could be done be using the same framework ASIC have currently in RG146 by introducing into A2.5 the category 'types of products'. This would allow scope to specifically address SMSF competencies. It would also allow the 'operation and management of the superannuation industry' category to have some of the competencies moved into the 'types of products' eg: annuities/pensions, allocated pensions and income stream products.
B4Q5 Do you consider that the proposed changes to the superannuation specialist knowledge requirements will affect the quality of advice consumers receive? If so, please provide details, both positive and negative.	Enhancing core knowledge in any area should result in an improvement of the quality of advice due to the adviser's understanding of a complete picture of issues to consider.
B4Q6 Do you consider that the proposed changes to the superannuation specialist knowledge requirements will impose additional costs on advisers and AFS licensees? Please provide specific details.	Additional training always adds a cost to advisers and/or licensees, both actual outlay and time out of their business. For existing advisers these costs may act as a deterrent to an adviser expanding their skill base and could be a negative impact on the industry.
B5 We propose to *not* make substantive amendments to the specialist knowledge requirements for derivatives, managed investments, insurance (general, life and broking), deposit products and non-cash payment products, foreign exchange, FHSAs, margin lending facilities or regulated emissions units because these were not the subject of our CTA research.	
B5Q1 Do you think we should make substantive amendments to the specialist knowledge requirements for derivatives, managed investments, insurance (general, life and broking), deposit products and non-cash payment products, foreign exchange, FHSAs, margin lending facilities or regulated emissions units? If yes, please provide details.	As per our response to question B3Q4, each specialist product area should include a Planning Strategies component dealing with relevant advice strategies that utilise the financial product to solve a client problem. With respect to 'Managed Investment' a sub-topic dealing with portfolio construction could be included. With respect to insurance, a sub-topic addressing the construction of an insurance strategy with a particular emphasis on how the different types of insurance can be combined to provide the optimal outcome for the client.
B5Q2 Do you think that we should conduct CTA research for the other specialist knowledge requirements? If yes, please provide details.	CTA research or similar should be undertaken to define competency areas for all areas of personal financial product advice in specialist knowledge areas. Well defined competencies aids development of consistent education and assessment to improve and maintain the quality of advice.
C1 We propose to make substantial changes to the majority of the skill requirements for Regime B and Regime C: see draft Table A3.2 in Appendix A.	
C1Q1 Do you agree with our proposed changes? If not, why not?	We agree with the proposed changes however we would like ASIC to provide clarification and guidance on risk profiling and ascertaining clients' risk tolerance as there are a wide variety of methods employed and no universally accepted approach. We note that Licensees will continue to be able to determine what skills competencies are applicable for specific roles of general advice providers to determine the standard and level of training required.

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ASIC CP212 Proposals & Questions	Responses
C1Q2 Do you anticipate any practical difficulties with these proposed changes to the skill requirements? If yes, please provide details.	The impact of implementing the proposed changes to skill requirements are similar in scope to the impacts listed in our response to B1Q6. In particular, management of different skill levels across three different sets of advisers for Regime A, B and C will add complexity and cost to licensees providing personal advice on Tier 1 products, We note that skill requirements set out are not proposed to apply to general advice providers for Tier 1 nor any advice, general or personal, in relation to Tier 2 products. We agree with maintaining this approach as it is appropriate to the type of advice service provided and the degree of consumer protection needed, considering other risk management controls licensees must undertake.
C1Q3 Are there any other skill requirements that you think should be included? If yes, please describe them.	No further skill requirements are recommended
C1Q4 Do you consider that the proposed changes to the skill requirements will affect the quality of advice consumers receive? If so, please provide details, both positive and negative.	Improving the training and assessment of skills for new entrants should generally result in an improvement of the quality of personal advice or will provide, at minimum, confirmation that the adviser has undertaken training in the skill areas defined. For existing advisers who have participated in good quality training previously and/or have good quality experience this is unlikely to change the quality of advice provided.
C1Q5 Do you consider that the proposed changes to the skill requirements will impose additional costs on advisers and AFS licensees? Please provide specific details.	The additional skill competencies identified are relevant to the activities of personal advice providers, however traditional methods of educating and assessing may not be suited to some of the skill competencies, for example "explaining concepts in a manner that the client can understand", "making sure the client understands the advice ...". These 'soft skill' areas may require role play methods of training and assessment that is more resource intensive both on the part of the training provider and the student undergoing training and assessment. Please also refer to our response to B1Q8.
D1 For Tier 1 products, we propose to increase the educational level requirements as follows: **(a) for Regime B (from 1 January 2015)—to AQF Level 6 Advanced Diploma; and** **(b) for Regime C (from 1 January 2019)—to AQF Level 7 Bachelor Degree.** **We propose that the increase in the educational level requirements will apply to both general and personal advice.** **See draft Table A4 'Educational level requirements' in Appendix A.**	
D1Q1 Do you agree with our proposal to increase the educational level requirements for Tier 1 products? If not, why `not?	We recommend the entry standards should be set as follows • For personal advice on Tier 1 products – AQF 7 level • For general advice on Tier 1 products – AQF 5 level These recommended standards should be subject to a completed CTA process confirming all subject areas require that

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ASIC CP212 Proposals & Questions	Responses
	depth of competence for good quality advice to be provided. We support enhanced standards in relation to provision of personal advice. However we do not believe there is a demonstrated consumer need to increase the entry standards for general advice on Tier 1 products to the same extent as for personal advice. Please refer below to our response to D1Q5. Also, we believe a two regime transition introduces complexity and cost and will not result in consumer benefits unless existing advisers undertake a transition to the same standards so that one standard applies to all advice of the same type. We recommend a one step transition that also involves existing advisers to move to the higher standard.
D1Q2 Do you anticipate any practical difficulties with our proposed educational level increases? If yes, please provide details.	The definition and development of two (regimes) levels of education will add cost to training providers that will also be passed on to consumers. As above, a two step transition process introduces complexity and cost. We recommend a single step transition to the end standards required. The transition time frame should also consider the timeframe that the Taxation Practitioners Board is contemplating for financial advisers to formerly attain competence in taxation advice. This will affect all existing and new advice providers that consider tax implications in both general and personal advice. There will be a potential impact on the ability of licensees to attract and recruit new planners and additional costs involved. Please refer to our response to B1Q6.
D1Q3 Do you consider that the proposed changes will affect the quality of advice consumers receive? If so, please provide details, both positive and negative.	We believe there will be limited, if any, consumer benefit generated by applying the increase in standards to all forms of general financial product advice on Tier 1 products. We recommend that the higher level of training should be aligned to subject matter areas where a greater level of competency is required to provide good quality advice, and where the advice service provided is more complex and requires a greater level of competency. CTA research or similar should be applied to general advice to determine what competencies are required and to what depth. In relation to personal advice on Tier 1 the changes may not achieve the objective of improving the quality of personal advice provided. This is because the vast majority of personal advice that will be provided over the next decade will be provided by currently authorised advisers for whom no change is contemplated to the applicable competency standards. That is, the standards applying will be inconsistent with those for new advisers commencing in proposed Regime B and C. Therefore, in order to improve the quality of advice consumers receive we believe existing advisers need to complete an assessment of their skills also, and complete additional training if a gap in competency is identified by the assessment. Also, as noted previously, additional training does not by itself always improve quality of advice. Additional training modules are only part of picture, as behavioural coaching, ongoing monitoring and alignment to the advice process is required to develop and maintain skills required to achieve a specified standard of advice.
D1Q4 Do you consider that the proposed changes will impose additional costs on advisers and AFS licensees? Please provide specific details.	Yes additional costs will accrue from these changes. Please refer to our response at B1Q8.

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<table>
<tr><th>ASIC CP212 Proposals & Questions</th><th>Responses</th></tr>
<tr><td>D1Q5 Do you agree that our proposal to increase the educational level requirements should apply to advisers who provide general advice only? If not, why not?</td><td>We do not agree with the proposal to increase the educational level requirements to advisers who provide general advice only. This is supported by our analysis of the nature of general advice and the unintended consequences of the increase from both consumer and financial services provider's perspectives which is discussed below. In our view, the proposed educational level requirements are disproportionate to the level of knowledge and skills required of advisers who provide general advice. Consumers will be indirectly impacted as a result of the diminishing talent pool. Financial services provider will be burdened with policy/administrative uncertainties and an increase in operating cost that will ultimately be passed on to consumers.

We recommend that the entry standard for general advice on Tier 1 financial products should be set at AQF 4 (Certificate IV) level. Our reasons for this are linked to the nature of general advice provided:-
• General advice generally has a product focus, which does not involve analysing customer circumstances or underlying financial needs. As such, general advice does not require advisers to apply knowledge and skills, to demonstrate autonomy, judgement and other responsibility, necessary for considering the full circumstances of the customer.
• General advice can involve comparing financial products, but only in terms of product features, risks and benefits.
• There are also additional risk management controls across this form of advice which includes a prohibition on considering the suitability of financial strategies or products to individual client circumstances providing recommendations of specific financial products.
• In addition, there is a lack of evidence on why the recommendation to increase the educational level should apply to general advice. The CTA research's major recommendation (see CP212, page 9) on this point refers to advisers providing personal advice on tier 1 products. No research result has suggested that the educational level requirement should be applied to general advice.

There are benefits from this proposal for staff if they are trained to a higher standard, this will lead to faster career progression to full personal advice. Staff would also be trained in greater depth upon broader aspects of financial products and industry at the level that will apply knowledge and skills to demonstrate autonomy, judgement and providing specialist advice and functions within broad parameters.

However, staff will become dissatisfied with having developed skills and knowledge to develop solutions for consumers they are then restricted (not authorised for personal advice) from applying those competencies to consumer situations. It follows that consumers will not see any benefit from the additional knowledge and skills attained.

The proposal will cause significant additional cost to train new staff to degree qualified and to attract and retain degree qualified staff in relative junior positions. It may also have the effect that those attaining degree qualifications will likely seek higher level roles than general advice providers. Consumers will be impacted, if as a result, there are fewer general advice providers and limited access to advice.</td></tr>
<tr><td colspan="2">D2 For Tier 2 products, we propose to increase the educational level requirements as follows:

(a) for Regime B (from 1 January 2015)—to AQF Level 4 Certificate IV; and</td></tr>
</table>

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ASIC CP212 Proposals & Questions	Responses
(b) for Regime C (from 1 January 2019)—to AQF Level 5 Diploma. **We propose that the increase in the educational level requirements will apply to both general and personal advice.**	
D2Q1 Do you agree with our proposal to increase the educational level requirements for Tier 2 products? If not, why not?	The proposed increased educational level requirements are not required to provide appropriate general advice and would impose significant compliance costs without improving the standard of advice. This is even more the case for the sale of Tier2 products. Tier 2 products are products that are generally well understood by the consumer and are not complex in nature. As previously stated, general advice generally has a product focus, which does not involve analysing customer circumstances or underlying financial needs. As such, general advice does not require advisers to apply knowledge and skills, to demonstrate autonomy, judgement and other responsibility, necessary for considering the full circumstances of the customer. Tier 2 products are not complex in nature and are generally well understood by the consumer. The current accreditation requirements for Tier 2 financial products allow low cost access to appropriate levels of advice for which industry participants have implemented suitable monitoring and other controls to manage advice risks. Therefore we believe there should be little if any change to the accreditation requirements for general and personal advice on Tier 2 products. As stated we do not deem the increased educational level appropriate or necessary for Tier 2 advice. However, if increased educational levels is to be mandated, we recommend the entry standards should be set as follows • For personal advice on Tier 2 products – AQF 4 level. • For general advice on Tier 2 products – AQF 3 level. These recommended standards should be subject to a completed CTA process confirming all subject areas require that depth of competence for good quality advice to be provided. Training requirements should be considered for the context of the activity that will be undertaken. To improve standards of advice within the industry, additional training modules are only part of the answer. In some contexts increased training standard would not be necessary to improve the advice provided. For example, the Bank's Home & Content Insurance and Consumer Credit Insurance call centre staff operate under a scripted advice model where conversations are closely monitored by the business to ensure the conversation is general in nature. The sales process and associated robust control environment (e.g. call recording and monitoring) would not be enhanced by increased educational level. The proposed increased educational would not be necessary to appropriately provide advice in this space and would merely be an additional compliance cost. Each business must consider behavioural coaching, ongoing monitoring and alignment to the sales methodology in addition to training to achieve a specified standard of advice.

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ASIC CP212 Proposals & Questions	Responses
D2Q2 Do you anticipate any practical difficulties with our proposed educational level increase? If yes, please provide details.	We note the following potential practical difficulties: • Productivity impacts/ costs on L&D departments maintaining training requirements for 3 regimes • Struggles to attract new staff and retain staff who have (or are willing to obtain) the higher educational level. These resourcing issues may be passed on to the customers through extended call waiting times, delay in SLA's and general detriment to the level of customer service provided.
D2Q3 Do you consider that the proposed changes will affect the quality of advice consumers receive? If so, please provide details, both positive and negative.	We do not see these modules as having a significant impact on the quality of advice. Additional training modules are only part of picture, as behavioural coaching, ongoing monitoring and alignment to the sales methodology is required to develop and maintain skills required to achieve a specified standard of advice.
D2Q4 Do you consider that the proposed changes will impose additional costs on advisers and AFS licensees? Please provide specific details.	Please refer to our response to B1Q3
D2Q5 Do you agree that our proposal to increase the educational level requirements should apply to advisers who provide general advice only? If not, why not?	As above, for general advice role, we would not deem this necessary.
E1 We propose the following implementation dates: **(a) the training standards for Regime B to begin on 1 January 2015; and** **(b) the training standards for Regime C to begin on 1 January 2019.**	
E1Q1 Do you agree with our proposed implementation in stages of the increased training standards? If not, why not?	We believe a single transition period should be used and to have existing advisers to transition to the new standards also so that the industry does not need to operate and manage advisers with three different standards of education. The complexity would cause increased cost in training development and implementation, training support systems and monitoring and supervision programs. The cost would have to be recouped which would impact affordability and access to advice by the consumer. There will be transition issues for any students who commenced training prior to the Regime but not had not completed by the commencement dates. These students must rely upon training providers developing gap training and assessment or they will have to repeat subjects at the next higher AQF level. The ability to meet the implementation timeframe will also be dependent upon education providers to be able to make training available for each subject at the new standards. The transition time frame should also consider the timeframe that the Taxation Practitioners Board is contemplating for financial advisers to formerly attain competence in taxation advice. This will affect all existing and new advice providers

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ASIC CP212 Proposals & Questions	Responses
	that consider tax implications in both general and personal advice. For these reasons we believe a 2015 commencement date is not realistic and recommend that a single step transition should be targeted for 2017 that will allow sufficient time for education providers to redevelop training programs, including gap training for those who have already completed subjects at current AQF levels. As set out previously we recommend the entry standards to commence in 2017 should be:- • For personal advice on Tier 1 products – AQF 7 level • For personal advice on Tier 2 products – AQF 4 level. • For general advice on Tier 1 products – AQF 5 level • For general advice on Tier 2 products – AQF 3 level. These recommended standards should be subject to a completed CTA process confirming all subject areas require that depth of competence for good quality advice to be provided.
E1Q2 Do you agree with the commencement date of 1 January 2015 for the increased training standards for Regime B? If not, why not?	Please see our response to E1Q1 above
E1Q3 Do you consider that there will be sufficient courses available before 1 January 2015 to cover the proposed new knowledge requirements for Regime B? Please provide details.	We are concerned whether there will be courses available that provide advisers with the ability to select AQF6 and AQF7 level courses in individual subject areas relevant to their areas of activity. For example, so that an adviser does not have to complete a full degree length course solely to provide risk insurance advice.
E1Q4 Do you consider that there will be sufficient courses available before 1 January 2015 to cover the proposed new skill requirements for Regime B? Please provide details.	Please see our response to E1Q1 above
E1Q5 Do these transition periods provide sufficient time for training providers to develop new courses and for advisers to complete them before the commencement of Regime B and Regime C? Please give data about the length of time usually taken to develop new courses.	We recommend the transition period should allow for commencement in 2017 and provide a single step transition. The redevelopment of training courses would need to occur twice under the ASIC proposals which results I n greater cost for the industry, that is eventually passed on to consumers. Please see our response to E1Q1 above
E1Q6 Do you agree that the proposed changes to an AQF Level 6 Advanced Diploma for Tier 1 advisers and an AQF Level 4 Certificate IV for Tier 2 advisers should only apply to advisers who start providing financial product advice or change their advice activities on or after 1 January 2015? If not, why not?	We recommend a single transition period should commence in 2017 and that existing advisers should also be required to undertake a transition to the new standards either through recognition of previously completed in the relevant subject areas at the new standards, or through an Adviser Certification transition assessment, similar to what was proposed in CP153. Please see our covering response proposal as well as our response to E1Q1 above.

APPENDIX 2 – Detailed responses to ASIC questions
ASIC Consultation Paper 212: Licensing: Training of financial product advisers – Update to RG146

ASIC CP212 Proposals & Questions	Responses
E1Q7 Do you agree that the proposed changes to an AQF Level 7 Bachelor Degree for Tier 1 advisers and an AQF Level 5 Diploma for Tier 2 advisers should only apply to advisers who start providing financial product advice or change their advice activities on or after 1 January 2019? If not, why not?	We recommend a single transition period should commence in 2017 and that existing advisers should also be required to undertake a transition to the new standards either through recognition of previously completed in the relevant subject areas at the new standards, or through an Adviser Certification transition assessment, similar to what was proposed in CP153. Please see our covering response proposal as well as our response to E1Q1 above.
E1Q8 Do you consider that there would be sufficient time to develop courses to deliver training at a Level 7 Bachelor Degree level for Tier 1 products in the timeframe proposed?	As above
E1Q9 Do you agree that advisers who change their advice activities during the period of a particular regime such that they require additional training should complete their training at a level that meets the requirements of that particular regime? If not, why not?	We agree with this approach subject to the availability of modular courses that will allow previously accredited advisers to up-skill without duplication of previously completed training.
E1Q10 Are there any other practical considerations that we should be aware of arising from the proposed implementation framework?	Please see our response to E1Q1 above
F1 We are seeking feedback on whether personal sickness and accident insurance should be a Tier 1 or Tier 2 product.	
F1Q1 Do you consider that personal sickness and accident insurance should remain as a Tier 1 product or be reclassified as a Tier 2 product? What are the reasons for your suggested approach?	No position on this question
F1Q2 What business and consumer impacts would result from retaining the Tier 1 classification, or changing the classification to Tier 2?	No position on this question
F2 We are seeking feedback on whether consumer credit insurance should be a Tier 1 or Tier 2 product.	
F2Q1 Do you consider that consumer credit insurance should remain as a Tier 2 product or be reclassified as a Tier 1 product? What are the reasons for your suggested approach?	We strongly consider that consumer credit insurance should remain as a Tier 2 product for the following reasons: 1. **Straightforward product**: Consumer credit insurance products where the amount of the liability of the insurer

ASIC CP212 Proposals & Questions	Responses
	under the contract is ascertained by reference to an underlying credit contract (such as a credit card, personal loan or home loan) are straightforward in that they provide standard types of cover for the death of the insured or the insured contracting a sickness or disease, sustaining an injury, or becoming unemployed. We recognise that those consumer credit insurance products that do not strictly meet the definition in Regulation 7.1.15 of the *Corporations Regulations 2001*in that the insurance cover is not strictly referable to the underlying credit contract could, in some circumstances, be regarded as more like life insurance products. For these more complex products that are not strictly consumer credit insurance, we acknowledge that it may be more appropriate to classify these types of products as Tier 1 products. Our comments below relate to consumer credit insurance products that meet the definition in the Regulations and not to those more complex products that are more akin to life insurance products. Consumer credit insurance products do not include an investment component and can be distinguished from life insurance products that often contain a myriad of different benefits, complex medical terms and ownership structures that can include non-superannuation ownership (i.e. an individual, company or trust) or superannuation ownership (ie a self-managed superannuation fund or retail fund). Life insurance products are often subject to detailed underwriting rules. By contrast, consumer credit insurance products have a simple ownership structure, straightforward terms and conditions with little or no underwriting criteria and a lower sum insured than those afforded by financially advised life insurance products. Compare a maximum sum insured of $50,000 to cover credit card repayment obligations with a life insurance policy that contains benefits for death, TPD, trauma and income protection that can provide several million dollars worth of cover. Consumer credit insurance products are specifically designed to help customers cover their credit contract repayment obligations if they lose their job, contract a sickness or disease, or sustain an injury, and aren't able to work. They also pay the balance under the credit contract if the customer dies. In short, they are providing specific cover for a specific debt that is of limited duration. By contrast, life insurance products are often designed to provide a comprehensive and flexible solution to cover a customer's broader wealth management needs on a longer term basis where it is appropriate to require a higher standard of training. The consumer credit insurance relating to credit cards and personal loans that is offered to customers by the Westpac Group is straightforward in nature in that it does not require customers to select different components of cove. No decision is required of customers in respect of types of cover because the terms of the contract provide standard components of cover. In respect of one of our St.George distributed consumer credit insurance products that relates to home loans, customers are afforded a choice between one or both types of cover (ie Life Cover and Repayment Cover). However, we have not found that the options offered to customers have caused any particular confusion or are difficult for customers to understand. Indeed, the options available in this product are arguably simpler and fewer than those contained in other general insurance products such as home and contents insurance.

ASIC CP212 Proposals & Questions	Responses
	2. **Clear Disclosure**: ASIC has noted a number of features in paragraph 134 of the Consultation Paper that suggest consumer credit insurance is not a straightforward product. While consumer credit insurance products must by their very nature contain some restrictive policy terms and conditions such as exclusions for voluntary resigning and pre-existing conditions, the number of exclusions are generally far fewer than would be contained in other general insurance products such as a home and contents policy for example. This can be evidenced by the comparative length of disclosure documents for home and contents insurance and consumer credit insurance which are significantly shorter. In addition, Corporations Act requirements mean that clear disclosure of such terms and conditions is mandated by the law in product disclosure statements and at the point of sale. Scripts are carefully crafted to ensure that they contain a clear description of how the products work including exclusions, limits, benefits, duration of cover, costs and cooling off rights. In relation to ASIC's reference to the non-standard duration of cover among consumer credit insurance policies, we acknowledge that the sales practice recommendations made by ASIC in its *Report 256: Consumer credit insurance: A review of sales practices by authorised deposit-taking institutions* have addressed this issue by requiring scripting to inform customers of the duration of consumer credit insurance policies. Indeed, in considering the classification of consumer credit insurance, ASIC must take into account the improvements made by ADIs in respect of their sales practices, including sales scripts, arising from ASIC's recommendations in its Report 256. **3. Need for insurance:** Consumer credit insurance provides an affordable alternative to more complex life insurance products sold by financial planners. For the large number of customers who are unlikely to seek financial advice from a Tier 1 trained adviser, consumer credit insurance provides protection in respect of the new debt they are taking on. In relation to home loan products in particular, the consumer credit insurance appeals to younger customers who are often first home buyers. These customers tell us that they particularly like the fact that the consumer credit insurance provides them with affordable cover and that the products are easy to apply for at a busy time in their lives. This allows them to focus on moving and finalising their house purchase while giving them the security and confidence of knowing that if, for example, they became seriously ill, the substantial debt they have taken on will be covered. In relation to consumer credit insurance policies that relate to credit cards and personal loans, these products are sold in conjunction with the underlying credit products that are sold by banking staff who are trained to sell Tier 2 products. We believe it is appropriate that the conversation about consumer credit insurance takes place immediately following the sale of the underlying credit product. If customers were required to engage with a different part of the Bank to discuss consumer credit insurance, they would be faced with additional hurdles of affordability and accessibility which may serve to worsen Australia's problem of underinsurance.

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We are aware that many customers who have taken out consumer credit insurance and then switch credit products, are keen to take up the consumer credit insurance in respect of the new credit product.
In response to ASIC's concern that a consumer is not likely to have a good understanding of the product because the consumer has not sought out the product, the same could also be said for other general insurance products such as home and contents insurance. Given the recommendations in relation to sales practices arising from ASIC's Report 256, we believe that our sales practices have improved so that customers are likely to have a good understanding of the product notwithstanding that they have not sought it out.
4. Overseas experience: We agree with ASIC that significant differences do exist between Australia, the UK and the US in respect of the sale of consumer credit insurance. We do not believe that this product can be systematically mis-sold to the same degree as in other jurisdictions due to the Australian legislative framework and ASIC's pro-active and constructive review and recommendations on sales practices.
The Insurance Contracts Act 1984, National Consumer Credit Protection Act 2009 and the Corporations Act 2001 provide a legislative framework that mandates clear and transparent disclosure both in documents and at the point of sale, cooling-off rights for customers who change their mind about the purchase of consumer credit insurance, a cap on commissions and the requirement for insurers to act in the utmost good faith.
Supplementing the strength of the legislative framework is the comprehensive and constructive review that ASIC has pro-actively undertaken in respect of the sale of consumer credit insurance by ADIs and consumers' claims experiences.
We can clearly distinguish between the UK experience and the sale of consumer credit insurance by the Westpac Group because our distribution practices have been developed in compliance with the comprehensive regulatory environment, including the General Insurance Code of Practice. Sales practices have been enhanced across all brands and channels in line with ASIC's recent recommendations. Online learning modules have been developed for bankers to train them about the ASIC recommendations and statement messages have been improved to provide ongoing information to customers about their consumer credit insurance cover.
In our view, the straightforward nature of our traditional consumer credit insurance products coupled with the improvements made to sales practices resulting from ASIC's Report 256,we cannot see a clear rationale for changing the classification of consumer credit insurance products from Tier 2 to Tier 1. Our customers who buy consumer credit insurance tell us they do so because they find the products simple, convenient and affordable.
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<tr><td>F2Q2 What business and consumer impacts would result from retaining the Tier 2 classification, or changing the classification to Tier 1?</td><td>
1. Tier 2 classification: The business and consumer impacts that would result from retaining the Tier 2 classification under Regimes B and C include:
(a) The development and provision of additional training of bankers to comply with the significantly greater skill requirements for the provision of personal advice;
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ASIC Consultation Paper 212: Licensing: Training of financial product advisers – Update to RG146

ASIC CP212 Proposals & Questions	Responses
	(b) The development and provision of additional training of bankers to lift their educational levels from Cert III equivalency to Cert IV equivalency from 1 January 2015 and to diploma equivalency by 1 January 2019 (applies to both personal and general advice); (c) the associated costs of providing the additional training for skills and educational requirements e.g. development of training material, costs of training, additional hours worked to complete training, potential interruption to existing sales, loss of productivity in the short-term, costs expended on change management activities; (d) significant behavioural change associated with the increase in skill and educational requirements. Recent experience arising from the changes resulting from ASIC's recent recommendations shows that a significant period of time is required for behavioural change; (e) potentially improved quality of advice to consumers and improved customer experience but with more skilled bankers there could potentially be greater employment costs; 2. **Tier 1 classification:** The business and consumer impacts that would result from changing the classification to Tier 1 under Regimes B and C include: (a) The development and provision of additional training of bankers to comply with the significantly greater generic financial and economic knowledge requirements; (b) The development and provision of additional training of bankers to comply with the significantly greater skill requirements for the provision of personal advice; (c) The development and provision of additional training of bankers to lift their educational levels from diploma equivalency to advanced diploma equivalency from 1 January 2015 and to Bachelor's Degree equivalency by 1 January 2019; (d) Significantly higher costs associated with the development and provision of training to comply with the increase in generic financial and economic knowledge, greater skill requirements for personal advice and educational requirements(see (c) above) than the costs associated with consumer credit insurance remaining a Tier 2 product; (e) A substantial increase to the costs of the products arising from higher knowledge, skills and educational requirements of sales staff; (f) A potential change in sales model to no advice which may result in a decline in insurance coverage; (g) a potential for the withdrawal of the product from the market leading to a worsening of Australia's underinsurance problem and potential job losses and a decline in revenues and profit; (h) In the absence of consumer credit insurance, an increase in loan delinquency, increase in bad debts, increase in forfeiture actions and collections activity, and a deleterious impact to consumer credit ratings.

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<tr><td>F2Q3 Should like products (e.g. life insurance, sickness and accident insurance, consumer credit insurance) be classified together in the same tier? If not, why not? If so, is Tier 1 or Tier 2 more appropriate for these products? What rationale could be used to justify treating such like products differently?</td><td>We do not believe that consumer credit insurance should be classified in the same tier as life insurance and sickness and accident insurance because of the relative simplicity of consumer credit insurance as compared to life insurance and sickness and accident insurance products.

See our comments on the differences between consumer credit insurance and life insurance above at F2Q1.

We consider the RG146 comments on sickness and accident insurance are still relevant in that these types of insurance are generally more complex and the choices a consumer makes may have an increased potential to impact significantly on the client's financial situation. To this end, sickness and accident insurance is more closely aligned to life insurance.

The rationale for treating these products differently is based on:

(a) The intent of the products e.g. consumer credit insurance is designed to provide limited cover for a specific debt whereas life insurance is most often designed to provide a comprehensive and flexible solution to cover a customer's broader wealth management needs on a longer term basis. Consumer credit insurance products for personal loans and credit cards are designed to protect the repayment obligations in respect of the underlying credit product which is typically just one debt a customer pays from their regular income. Whereas sickness and accident insurance products are often designed to protect a consumer's income which is typically a much higher amount. This comment also applies to longer term income protection insurance offered by life insurers. We consider a product that protects a consumer's regular income warrants a higher classification than consumer credit insurance.

(b) The nature of the terms and conditions e.g. consumer credit insurance are largely subject to standard terms and conditions which must accord within the definition in the Regulations whereas life insurance products can include a myriad of different product options, including advancement benefits and reinstatement benefits. The options available under sickness and accident insurance products present complexities in that cover can be provided for a set number of years e.g. 2 years, 5 years etc, or through to a specific age e.g. 55, 60 or 65;

(c) The duration of the products e.g. consumer credit insurance is linked to the duration of the underlying credit contract whereas life and sickness and accident insurance are not so designed;

(d) The maximum limits of the products e.g. our consumer credit insurance is designed to provide a maximum limit of $50,000 in respect of credit cards and $100,000 in respect of personal loans whereas life insurance products can provide cover that extends to millions of dollars;

(e) The ownership structure of the products e.g. consumer credit insurance will typically be owned by a natural person as the debtor of the underlying credit contract whereas life insurance can have more complex ownership</td></tr>
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ASIC CP212 Proposals & Questions	Responses
	structures that can include non-superannuation ownership (i.e. an individual, company or trust) or superannuation ownership (i.e. a self-managed superannuation fund or retail fund),or a combination of both; and (f) The investment components of the products eg. consumer credit insurance products do not have an investment component while life insurance can include such a feature which brings with it greater risks.
F2Q4 Is consumer credit insurance more often sold to consumers with or without financial product advice?	The sale of consumer credit insurance through Westpac Group channels is largely undertaken using a general advice model. However, predominantly factual product information is provided to consumers about the policy benefits, limitations, exclusions and cost.

APPENDIX 2 – Detailed responses to ASIC questions
ASIC Consultation Paper 215: Assessment and approval of training courses for financial product advisers: Update to RG 146

ASIC CP215 Proposals & Questions	Responses
Replacement of ASIC Training Register	
B1Q1 Do you agree with our proposal to replace the ASIC Training Register with draft [CO 14/XX]? If not, why not?	We understand ASIC's reasons to divest itself of responsibility to confirm training courses meet its standards for advice providers. However it is vital that before this change occurs there is an appropriate replacement process in place by which AFS Licensees can meet their obligations and individual advisers can gain assurance that the training courses they are enrolled in will be able to provide them with the accreditation sought. The concerns we have in relation to the CP215 approach is:- • There is no obligation upon education providers to provide AFS Licensees the certification that the draft Class Order requires AFS Licensees to obtain. There is also no defined form of certification that education providers should provide. Therefore there is no certainty that education providers be able to consistently provide written certification of the RG146 knowledge and skill competencies achieved when students complete a particular course program or individual subject. • Also, there is the potential, similar to what occurred when PS146 commenced, that some education providers will not be able to self-assess or will choose not to assess the training previously given which will result in advisers having to duplicate subjects. • Each AFS Licensee will be required to investigate education providers' credentials to confirm they qualify as an authorised assessor in order to rely on a certificate of completed education issued. This is expected to lead to each AFS Licensee developing its own version of the ASIC training register. • If a particular education provider ceases to operate at some point in the future, there may be no way that an AFS Licensee can obtain the written certification required. The result would be that any Adviser in this situation would have to complete duplicate training to regain the accreditation. • We note that part of ASIC's reasoning for releasing responsibility for approving training courses was a lack of a quality assurance process. Does ASIC expect AFS Licensees to conduct any form of quality assurance checks on authorised assessors in light of the statements it makes in paragraph 28 of CFP215? We request that ASIC provide clear guidance as to what form of assurance AFS Licensees need to obtain from authorised assessors to be able to rely upon this to meet the obligations set out in the draft Class Order. • We are not clear why ASIC has not simply made amendments to the relevant licence conditions instead of inserting a new section into the Corporations Act. In relation to the draft class order we recommend that to avoid further complexity within the Corporations Act, ASIC consider amending the standard AFS licence conditions so that the obligations placed on AFS Licensees are clearly set out in the one place. The alternative approach we propose is: • We recommend that an industry led, self regulating organisation should conduct an entrance exam for all advisers to gain Adviser Certification that will give consistency of entry standard across all personal financial advice providers

APPENDIX 2 – Detailed responses to ASIC questions
ASIC Consultation Paper 215: Assessment and approval of training courses for financial product advisers: Update to RG 146

ASIC CP215 Proposals & Questions	Responses
	(personal advice on Tier 1 financial products only). • For Tier 1 personal advice we recommend that the self regulating organisation should establish an Adviser Certification Register that is publicly available and provides confirmation when an individual adviser has attained the required entry qualifications in each relevant area. • The self-regulating organisation would be able to take over part of ASIC's role in providing guidance on standards to educators and provide a central source for AFS Licensees and advisers to confirm what knowledge and skills competencies a particular subject or course will provide accredited to a successful student. • ASIC should continue to maintain the Training Register for courses that satisfy general advice standards for Tier 1 products. • AFS Licensees should continue to individually assess relevant training for financial advice on Tier 2 financial products.
B1Q2 Do you agree that we should retain an archived ASIC Training Register as a reference tool? If not, why not?	We recommend that the ASIC Training Register is maintained so that AFS Licensees can check whether a pre 25/9/12 course completed by an adviser was approved by ASIC. The Training Register will need to be held indefinitely because existing advisers move between AFS Licensees.
B1Q3 Do you consider that the proposal to replace the ASIC Training Register with draft [CO 14/XX] will impose additional costs on advisers, AFS licensees, training course providers or others? Please provide specific details.	We expect that the proposed changes will result in the following additional costs: • Education providers will incur additional costs to assess their training programs against ASIC's standards, and develop record keeping procedures and resources that will store relevant data so that written certification can be provided to advisers and AFS Licensees. • Each AFS Licensee will incur additional costs through having to conduct research on education providers to obtain evidence of their authorised assessor status.
B1Q4 Do you consider that the proposal to replace the ASIC Training Register with draft [CO 14/XX] will result in benefits for consumers, training course providers or others? Please provide details	We are unable to see any benefit for consumers or industry from the changes proposed.
Guidance on written certification	
B2Q1 Do you think that authorised assessors will provide this certification? If not, why not?	For education providers who wish to remain active in offering financial services courses it is highly likely they will provide certification. Neither AFS Licensees nor intending advisers will enrol in the courses if the standards cannot be confirmed. However, as above, there is no other real compulsion on education providers to assess courses or to provide written certification of the assessment against the RG146 standards. The industry experience with the introduction of PS146 suggests if an education provider discontinues a particular course there is no benefit to them to assess the course against ASIC's standards or to keep records of anything other than the subject name and grade achieved.
B2Q2 What are other means by which AFS licensees could verify that training courses have been assessed by authorised	AFS Licensees individually or through an industry organisation may seek to separately engage and authorised assessor to review a course to determine whether it meets the RG146 standards.

APPENDIX 2 – Detailed responses to ASIC questions
ASIC Consultation Paper 215: Assessment and approval of training courses for financial product advisers: Update to RG 146

ASIC CP215 Proposals & Questions	Responses
assessors as meeting the training standards?	
B2Q3 Do you consider that written certification will impose additional costs on AFS licensees, training course providers, advisers or consumers? If yes, please provide specific details on how this is calculated.	Without any direction education providers that provide written certification are likely to provide it in different ways and formats. This will be less efficient than the current process of identifying the course an adviser has completed and checking whether that course is listed on the ASIC Training Register.
B2Q4 Do you consider that written certification will benefit AFS licensees, training course providers, advisers or consumers? Please provide details.	We are unable to see any benefit for consumers or industry from the changes proposed.
Recognition of foreign qualifications	
B3Q1 Do you agree with our proposal to remove the recognition of foreign qualifications from RG 146? If not, why not?	The key aim of entry standards is to ensure that a minimum standard of competence is achieved to gain accreditation to provide advice. It should not matter where the training was completed or qualification was attained. We recommend that New Zealand advisers are no different to advisers from other jurisdictions and should also be required to complete training that addresses Australian legal requirements including superannuation. The alternative approach we propose is for all those who wish to provide personal advice on Tier 1 financial products should be required to complete a consistent entrance exam to be granted Adviser Certification.
B3Q2 Do you agree with our proposed policy change on foreign qualifications in proposal B3(b) to permit advisers to apply for recognition of prior learning or for an exemption from the experience requirement? If not, why not?	Please see our response to B3Q1
B3Q3 Do you currently rely on the recognition of foreign qualifications in RG 146? If you are an AFS licensee, please provide details of the number of advisers who rely on this policy.	We require those holding foreign qualifications to complete additional training and accreditation or complete a process of recognised prior learning.
B3Q4 Will training course providers provide recognition of prior learning in the manner proposed in proposal B3(b)(i)? Please provide details.	The recognition of prior learning will depend upon the qualification previously attained and the training course provider.
B3Q5 Do you consider that this proposal will impose additional costs on AFS licensees, advisers or training course providers? Please provide details.	The changes proposed are likely to require more foreign qualified individual to complete more of the education with Australian training providers. Therefore additional costs will accrue to both individuals and/or AFS Licensees.
B3Q6 Do you consider that this proposal will benefit consumers by improving the quality of advice provided? Please provide details.	We have not experienced sufficient instances of advisers in this category to be able to form a view as to the benefit that would be provided.
Implementation	
B4Q1 Do you agree with the proposed commencement date of	We think it unlikely that all major education providers will be able to provide the written certification in relation to all

ASIC CP215 Proposals & Questions	Responses
April 2014? If not, why not?	courses and subjects available or previously available by April 2014. This is because it is not mandatory for educators to complete an assessment by an authorised assessor and these businesses will naturally avoid unnecessary additional assessment costs.
B4Q2 Does the proposed commencement date provide enough time to provide written certification to students? Please provide details on the amount of time required to implement the certification requirement.	Please see our response to B4Q2