



4 October 2013

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Australian Securities and Investments Commission  
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Dear Ms Chew,

**AFA Submission – Consultation Paper 215 – Assessment and Approval of Training Courses for Financial Product Advisers: Update to RG 146**

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The Association Of Financial Advisers Limited (“AFA”) has been serving the financial advising industry for over 65 years. Its aim is to provide members with a robust united voice, continually improve practices and focus firmly on the exciting, dynamic future of the financial advising industry. The AFA also holds the client to be at the centre of the advice relationship and thus support policies that are good for consumers and their wealth outcomes.

With over six and half decades of success behind us, the AFA’s ongoing relevance is due to our philosophy of being an association of advisers run by advisers. This means advisers set the agenda, decide which issues to tackle and shape the organisation’s strategic plan.

Thank you for the opportunity to provide feedback on Consultation Paper 215.

The integrity of the system for managing educational requirements for financial advisers is critical to the integrity of the financial advice industry. Consultation Paper 215, along with Consultation Paper 212, point to some key problems with the current system. This also flows on from CP 153, which was released in April 2011. To address these issues there is a genuine need for the industry to form a clear vision and strategic direction for training and education. There are a number of factors that are in play at present with respect to the direction of training and education, including the following:

- An overall drive towards increased professionalism and increased education standards.
- The implementation of the Future of Financial Advice legislation and related training requirements.
- The implementation of the Tax Agent Services Act (TASA) regime and the consequential education requirements.
- The implementation of limited licensing for accountants and resultant education requirements.

It would seem that it is necessary to ensure that there is an overall vision and strategy for training

and education, rather than have each of these issues separately addressed.

At a high level, we are not convinced that the ongoing maintenance of the ASIC Training Register should be discontinued. At a time when there is a need to increase the standards of education, we believe that this move is contrary to that objective. We note ASIC's view that you are not a regulator of training courses, however in the absence of a better alternative, it seems that this model should continue. Self-assessment of training courses presents significant complications and does not support the achievement of an increase in the standards for education and training.

We believe that it would be beneficial to consider international best practice with respect to training course approval and training register management, and accordingly would ask that as part of the consultation, ASIC bring forward a perspective on international best practice.

We recognise the complexity in managing the ASIC Training Register. It would appear that this complexity comes from two key areas. One requirement is the maintenance of the register for legacy courses, and the other being the review and approval of current active courses. This would suggest the possibility for a two part solution. The primary focus should be on a rigorous approval process for current active courses and regular oversight. With legacy courses, it would be reasonable to retain an archived record of what has previously been approved. Another solution might be to simply maintain a register of all advisers who have been assessed as RG 146 compliant as at a particular date in the past.

This system requires a robust review and approval process for RG 146 compliant courses and a means of confirming individual advisers have completed the required training. This would provide certainty and confidence to consumers, advisers and also licensees.

## **Replacement of ASIC Training Register**

We appreciate the position put forward by ASIC that you “are not the regulator of training courses” and that you do not consider that this is your function or role. We do however note that many licensees use the training register as third party approval when vetting the suitability of representatives to be appointed under their AFSL.

This creates an anomaly in the registration and licensing of representatives who seek to provide personal financial advice. Licensees are interested in appointing representatives who are adequately qualified under RG146 and use the ASIC Training Register as a ‘safety check’ to assess the competence of the adviser. We recognise that the current ASIC register does not make any claims to the quality of the courses provided – just the fact that they are registered by ASIC. Thus whilst we accept that the previous model did not work, we actually think that the better solution is to fix the previous model rather than implement a completely different system.

In providing the following responses, our overarching aim is to see the licensing and education environment under which advisers and AFSL's operate, harmonised so that advisers, AFSLs and training providers such as RTO's and universities, are able to operate in a competitive environment with a clear understanding of the compliance and licensing requirements set by the regulator. In short, we see this submission intersecting with TASA, CP212 and CP153 and call for an industry wide collaboration that will set out the education pathways advisers need in order to provide personal financial advice to retail clients.

Question	Response
B1Q1	We note paragraph 18 of CP 212, which refers to concerns about some of the existing RG 146 training providers and that some of these courses involve a short time to complete or are too easy. We are concerned that in moving away from the ASIC Training Register,

Question	Response
	<p>and promoting self-assessment, that this problem will be compounded.</p> <p>We support a level of independence in the assessment of RG 146 training courses and also an ongoing review or audit process.</p> <p>If ASIC cannot perform this role, then it is necessary for an alternative provider to be appointed. Consideration of how this is fulfilled in other markets may provide such a solution.</p>
B1Q2	<p>Whatever the outcome is with respect to the review and approval process for current courses, there also needs to be a solution for legacy courses. We suggest that the existing training register should be left as an archive for reference purposes. A reference tool is needed by licensees who want to check the qualifications of their representatives who previously completed their RG 146 training.</p>
B1Q3	<p>Additional costs would be incurred by education providers in producing certification that their students have satisfied the requirements of the course. We would anticipate that this would not be a significant cost to the provider. We would also expect additional costs for Licensees in the added complexity of confirming that their representatives are adequately qualified. We do not believe that a model where licensees were required to independently confirm the quality of courses would be appropriate.</p>
B1Q4	<p>We do not anticipate any benefits to flow from the proposal for consumers or education providers. In our view knowledge of the approval of courses by ASIC would have been considered as a significant positive for consumers. Training Course providers would also have gained a benefit in being able to state that their course was ASIC approved.</p>

### Guidance on Written Certification

With respect to the provision of courses, there are two key but separate components. Firstly the courses need to be evaluated and assessed as compliant with the requirements of RG 146. Secondly students need to complete the training and be assessed as competent, thus receiving certification of completion. It does not seem practical to have the course certified with respect to each student.

Question	Response
B2Q1	<p>We not support this proposal as it does not address the current issues that the industry has with the adequacy of the standard of all courses. We do not consider that a self-assessment approach has the adequate “checks and balances” to ensure that all courses will be at the required level. It seems more appropriate to have a clear course approval process and a separate student completion certification process.</p>
B2Q2	<p>We seek a system where it is straight forward for a licensee to confirm the adequacy of the training that has been undertaken by current and potential representatives. To achieve this it makes best sense that there is a single database that can be used to validate the completion of RG 146 compliant</p>

Question	Response
	training.
B2Q3	There are obligations on authorised assessors in exercising their duties. The proposal requires them to certify the course for each student. It is expected that this will lead to increased costs for education providers that inevitably would be passed on to students and/or their employers.
B2Q4	<p>The strength of the certificate rests with the integrity of the overall system and the quality of the assessment process. Where it is based upon self-assessment, a notable risk remains that the course does not fully meet the RG 146 requirements.</p> <p>Confidence in the system, by consumers, advisers and licensees is critically important. All stakeholders need the confidence that the course meets the requirements of RG 146. To achieve this there needs to be a rigorous approval process, independent review, ongoing audit and transparency.</p>

## Recognition of Foreign Qualifications

We are offer the following feedback on this section:

Question	Response
B3Q1	With the enhancements to RG 146 that are proposed through CP 212, we believe that the scrutiny of overseas training is increasingly important. There is a high level of complexity involved with the approval of foreign courses and there are also the obvious issues that flow from different jurisdictions. As part of the process of raising standards, we support the proposal to remove recognition of foreign qualifications.
B3Q2	We would be supportive of some level of recognition of prior learning as it relates to the generic concepts of financial advice that is unrelated to the Australian context. We are however quite cautious about this as it will add significantly to the level of complexity and potentially the level of costs. We are not sure why the level of 50% has been chosen and what the requirements need to be with the evaluation of prior learning. There would need to be additional detail provided around this to ensure that the process had transparency and integrity.
B3Q3	The AFA does not place reliance on overseas qualifications
B3Q4	We are unable to answer this question. We would anticipate that training providers would want great clarity on the requirements. We would also want to ensure that there is no ability for a student with foreign qualifications to actively hunt out the training provider who provides the highest level of exemptions. This type of arbitrage would be counter-productive.
B3Q5	There should be no additional cost for licensees as they would not be the ones doing the assessment of prior learning. The responsibility for the assessment of prior learning would rest with the training providers. The additional costs that would flow would be linked to the approach that they

Question	Response
	took and the level of investigation they undertook to assess foreign courses. We expect that this would be costly and that these costs would need to be passed on to students and/or their employers.
B3Q6	To the extent that it places higher controls around the recognition of foreign qualifications, then we believe that this will be beneficial for consumers. Australian consumers deserve to have confidence that they can rely upon their financial adviser to understand the Australian taxation and social security systems.

## Implementation

In the context that we do not support the proposal, it is problematic to comment on our views of the commencement date. However, we do need to recognise that the current system is ineffective, in that ASIC has ceased maintaining the ASIC Training Register and there has been no substitute in place for over 12 months. Our feedback with respect to this section is as follows:

Question	Response
B4Q1	We believe that a suitable solutions needs to be developed to address the important issue that this paper addresses. The sooner this solution is developed and implemented then the better for consumers, advisers and licensees. If the new RG 146 is not being released until April 2014, then it does not seem realistic to have this model start immediately in April 2014.
B4Q2	This question would be better answered by education providers.

## Conclusion

We thank you for the opportunity to provide feedback on the proposal with respect to the assessment and approval of training courses. This issue is part of the bigger picture of the proposals with respect to CP212 and the strategic direction of training and education for the financial advice industry. We believe that the entire issue of the future strategic direction of education and training requires further thought in order to develop a clear vision, and we recommend that ASIC form a cross industry working group to progress this. The implications need to be carefully considered.

Yours sincerely,

**Philip Anderson**  
**Chief Operating Officer**