



**ASIC**

Australian Securities & Investments Commission

# Parliamentary Joint Committee: Opening statement

*A speech by Greg Medcraft, Chairman,  
Australian Securities and Investments Commission*

*Parliamentary Joint Committee*

28 November 2014

## **CHECK AGAINST DELIVERY**

Good morning, Chairman. Thank you for this opportunity to address the Committee.

Representing ASIC today are all of our Commissioners – Deputy Chairman Peter Kell and Commissioners Cathie Armour, John Price and Greg Tanzer.

Supporting the Commission are Senior Executive Leaders Warren Day, Greg Kirk, Louise Macaulay, Tim Mullaly and Chris Savundra.

I have a brief opening statement.

### **Lifting standards in the financial advice sector**

Chairman, since we last appeared before PJC, there has been a lot of activity in the financial advice space – particularly on lifting adviser standards.

For example:

- your committee has been conducting an inquiry into standards and training for advisers
- a working group formed by the Government on adviser standards recently finalised their report on this issue. ASIC was an active participant in this group
- there have been announcements from individual firms on their initiatives to lift financial adviser competence.

### **National exam for financial advisers**

The momentum created by these initiatives is pleasing. However, they do not guarantee a consistent standard across the country.

I am passionate about lifting standards in the financial advice sector. We need Australian investors to have trust and confidence in financial advice. They *deserve* to have trust and confidence in financial advice.

I believe a national exam for financial advisers will help deliver this. It is also similar to the approach taken in other jurisdictions to assure investors about a minimum level of financial adviser competence. The Series 7 exam in the United States comes to mind.

We want a co-regulatory model where industry sets competence levels for advisers and then ASIC oversees the exam, which tests these competencies.

ASIC does not want to micro-manage the education process. We are focused on outcomes. In this case, national assurance that financial advisers do meet a minimum level of competence based on a degree level and tested in a secure environment.

This will go a long way towards underpinning investor trust and confidence in the financial advice sector.

## **What an exam would look like**

Our early thinking is that the exam should be modularised to take account of the different skills different types of advisers have. There should be a compulsory module for the basic skills all advisers need. Ethics needs to be the cornerstone of such a module. There would then be optional modules covering different areas of specialisation.

The exam should also be conducted in a secure environment, to maintain the exam's integrity and to avoid cheating.

We want a system not unlike the one the Civil Aviation Safety Authority (CASA) uses to test pilots. I understand that pilots sit an exam set by CASA to test their skills and knowledge acquired from both training and experience. CASA controls exam standards, and approved exam providers conduct exams in accordance with the CASA framework.

## **Conclusion**

Chairman, only one in five Australians get financial advice. And, with recent high-profile cases of advisers mis-selling financial products, this is sadly no surprise.

The industry needs to get its house in order and the introduction of a compulsory national examination will help it do that.