FASEA UPDATE

Dr Mark Brimble
Financial Adviser Standards and Ethics Authority
14 December 2018
Agenda for today

1. Background and context
2. FASEA’s legislative tasks
3. Progress to date
4. Standards
5. Approved courses
6. Working with TEQSA
7. Concluding comments
Background and Context
How did we get here?

REPORT 575

SMSFs: Improving the quality of advice and member experiences

Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry
What is FASEA here to do?


- The Act is intended to *raise* the professional, education and ethical standards of financial advisers.

- The government *wants* more Australians to have the confidence to seek financial advice, and that means making sure that people have access to financial advisers who will put their interests first and who are professionally competent and ethical. The bill will achieve this incredibly important objective for the benefit of all Australians and will play an instrumental role in renewing trust and confidence in financial advice

*The Hon. Kelly O’Dwyer MP, Minister for Revenue and Financial Services Second Reading Speech, 7 February 2017*
FASEA’s Legislative Tasks
Legislative Requirements

- To be a Relevant Provider one must be on the Register of Relevant Providers
- To be on the register one must meet the requirements of the legislation including the Education Standards, the Code of Ethics and Provisional Provider requirements if relevant
- Only then can one call themselves, and conduct the functions of, a financial adviser or planner (eg legislative protection) in relation to relevant financial products unless they are a provisional relevant provider or a limited service time share provider (s923C)
- Relevant Provider is authorised to provide personal advice to retail clients
- Relevant financial products means financial products other than basic banking products, general insurance products or consumer credit insurance.
Corporations Amendment (Professional Standards of Financial Advisers) Act 2017

Legislative Functions

FASEA FUNCTIONS s921U(2)

Approve bachelor (or higher) degrees, or equivalent qualifications

Approve an exam

Set requirements for work and training

Set requirements for continuing professional development

Respond to applications for approval of foreign qualifications

Make a Code of Ethics

Specify a word or expression to refer to a provisional relevant provider

WHAT NEEDS TO BE DONE
Corporations Amendment (Professional Standards of Financial Advisers) Act 2017

Legislative TIMELINE

- **JAN 2019**
  - New entrant education requirements in place
  - PY requirement in place

- **JAN 2019**
  - CPD requirement commences

- **JAN 2020**
  - Code of Ethics compliance begins
  - Exams can begin

- **JAN 2021**
  - Exam must be passed

- **JAN 2024**
  - Qualifications (Degree or equivalent) to be completed

**WHEN DOES IT NEED TO BE DONE**

- **New Entrants**
- **Everyone**
- **Existing Advisers**
Progress to date
**Progress to Date**

Over the course of 2018 FASEA has released consultation documents for each of these standards as detailed in the table below. Each had a timeframe for providing written submissions and there was also a consultation email address that received over 400 additional responses from individuals. Additionally, 10 consultation forums and workshops were run with over 170 participants from various stakeholder groups.

<table>
<thead>
<tr>
<th>Standard</th>
<th>Release</th>
<th>Close of consultation</th>
<th>No. of written submissions</th>
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<tr>
<td>Code of Ethics</td>
<td>20 March 2018</td>
<td>1 June 2018</td>
<td>37</td>
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<td>Education Pathways</td>
<td>20 March 2018</td>
<td>29 June 2018</td>
<td>150</td>
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<td>Examination</td>
<td>11 July 2018</td>
<td>31 July 2018</td>
<td>67</td>
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<tr>
<td>PRP Expression</td>
<td>23 July 2018</td>
<td>15 August 2018</td>
<td>14</td>
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<tr>
<td>Foreign Qualifications</td>
<td>23 July 2018</td>
<td>31 August 2018</td>
<td>12</td>
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<tr>
<td>CPD</td>
<td>23 July 2018</td>
<td>31 August 2018</td>
<td>35</td>
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</table>
## Progress to Date

<table>
<thead>
<tr>
<th>Standard</th>
<th>Documentation</th>
<th>Estimated release for consultation</th>
<th>Consultation period</th>
</tr>
</thead>
</table>
| Work and Training (Professional Year) | • Legislative Instrument  
                                      • Explanatory Statement  
                                      • Policy Statement                  | Week commencing 12 November 2018 | 2 weeks             |
| PRP Term                  | • Legislative Instrument  
                                      • Explanatory Statement                  | Week commencing 12 November 2018 | 2 weeks             |
| Code of Ethics            | • Legislative Instrument  
                                      • Explanatory Statement  
                                      • Code of Ethics                    | Week commencing 19 November 2018 | 4 weeks             |
| Education Pathways        | • Legislative Instrument  
                                      • Explanatory Statement  
                                      • Pathways Policy Statement  
                                      • Program and Provider Approval Guidelines | Week commencing 19 November 2018 | 3 weeks             |
| CPD                       | • Legislative Instrument  
                                      • Explanatory Statement  
                                      • Policy Statement                  | Week commencing 19 November 2018 | 2 weeks             |
| Foreign Qualifications    | • Policy Statement                                  | Week commencing 26 November 2018  | 2 weeks             |
| Examination               | • Legislative Instrument  
                                      • Explanatory Statement  
                                      • Policy Statement                  | Week commencing 3 December 2018  | 2 weeks             |
Standards
# Standards Summary

## Code of ethics

**Compliance**
from 1 January 2020

1. **Values aligned to** -
   - Trust
   - Competence
   - Honesty
   - Fairness
   - Diligence

2. **12 standards in the areas of** -
   - Ethical Behaviour
   - Client Care
   - Quality Process
   - Professional Commitment

3. **A relevant provider must act at all times, in all cases in a manner that is demonstrably consistent with the 12 standards**

4. **The Code will be monitored by an ASIC approved code monitoring body**

## Education

**New entrants**
from 1 January 2019

**Existing advisers**
by 1 January 2024

1. **New Entrant**
   - Bachelor Degree (4 subjects - AQF7)
   - Career changer (with relevant experience)
     - Graduate Diploma (8 subjects - maximum - AQF8)

2. **Existing adviser**
   - FASEA approved degree - 1 subject
     (Code of Ethics bridging course)
   - Relevant degree - 4 subjects (5 bridging courses + 1 FASEA approved subject)
   - Non-relevant degree - Graduate Diploma
     (7 subjects - maximum)
   - No Degree - Graduate Diploma
     (8 subjects - maximum)
   - RPL available as per point 4 below

3. **Bridging programs - RPL potentially available**
   - Financial Advice Regulatory & Legal Obligations (Corporations Act, AML, Privacy & TPB)
   - The FASEA Code of Ethics (no RPL)
   - Behavioural Finance

4. **Recognition of prior learning (RPL)**
   - Advanced Diploma in FP (AQF5) - 2 credits
   - Approved coursework to attain a designation
     (eg. FPAs 5 unit CFP or AFA’s FChFP post c. 2014) - 2 credits

## Exam

**New entrants**
Passed before indirect supervision in PY

**Existing advisers**
Passed by 1 January 2021

1. **3.5 hours including reading time**

2. **Limited open book - access to statutory materials**

3. **Selected and written response questions**

4. **Practical application of adviser knowledge in the following competency areas** -
   - Financial Advice Regulatory & Legal Obligations (Corporations Act, AML, Privacy & TPB)
   - Financial Advice Construction
   - Applied Ethical and Professional Reasoning

5. **Physical digital offering**

6. **Results available**

7. **Curriculum, recommended reading lists and practice exam will be published**

8. **A Provisional Relevant Provider needs to pass the exam before moving to indirect supervision (Q3/Q4 - approximately 6 months into PY)**
Standards Summary (contd)

Work & training (professional year) & provisional relevant provider expression

New entrants from 1 January 2019

1. 1600 hours - 100 hours training and 1500 hours work
2. Supervisor - minimum 2 years experience as a relevant provider (post Professional Year)
3. Formal education contributes to training requirement
4. Competencies expected to be demonstrated before conclusion of PY are -
   • Technical Competence
   • Client Care and Practice
   • Regulatory Compliance and Consumer Protection
   • Professionalism and Ethics
5. PY Plan to define key direct and indirect supervision activities in a quarterly approach, including competency assessment with opportunity to accelerate into indirect supervised activities only after passing the exam.
6. Completion certificate at end of each quarter
7. Final Completion Certificate at end of quarter 4
8. PY is not required if the provider is returning from a career break
9. Templates will be available as guidance
10. Evidence collection and record keeping for 7 years
11. Provisional Financial Adviser or Provisional Financial Planner will be identified as such to clients

Continuing professional development

New entrants Post professional year

Existing advisers from 1 January 2019

1. 40 hours (incl. professional reading at 4 hours)
2. 70% approved by licensee
3. Formal education capped at 25 hours for CPD
4. CPD categories minimum hours -
   • Technical - 5 hours
   • Client Care and Practice - 5 hours
   • Regulatory Compliance and Consumer Protection - 5 hours
   • Professionalism and Ethics - 9 hours
   With the balance up to 40 hours consisting of qualifying CPD
5. Relevant provider returning after >2 years career break is required to prepare a CPD plan for their first year that is approved by their Licensee
6. Templates will be available as guidance
7. Licensee must publish their CPD Policy
8. Evidence collection and record keeping for 7 years
9. CPD requirements will align with Tax Practitioners Board requirements
10. Transition arrangements for 2019 will be pro-rated for licensees whose CPD year is not a calendar year

Foreign qualifications

1. The education pathways for those with foreign qualifications will mirror those for New Entrants and Existing Advisers (ie. 24/8 subjects)
2. Foreign qualifications will be assessed by DET or DET approved bodies (eg. CAANZ and CPA) as to Australian Qualification Framework (AQF) equivalence
3. FASEA will undertake assessment of the foreign qualification to determine the relevant pathway to meet FASEA’s education standard.
4. A precedent database of approved foreign qualifications will be displayed on the website
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**Standards of Ethical behaviour**

**Standard 1**
You must act in accordance with all applicable laws, including this Code and not try to avoid or circumvent their intent.

**Standard 2**
You must act with integrity and in the best interests of each of your clients.

**Standard 3**
You must not advise, refer or act in any other manner if you would derive an inappropriate personal advantage from doing so.

**Standards of Client care**

**Standard 4**
You may act for a client only with the client’s written consent. If required in the case of an existing client the consent should be obtained as soon as practicable after this Code commences.

**Standard 5**
All advice and financial products that you present to a client must be in the best interests of the client and appropriate to the client’s individual circumstances. You must be satisfied that the client understands your advice and all the fees, costs, risks and returns of the financial products that you recommend, and you must have reasonable grounds to be satisfied.

**Standard 6**
You must take into account the broad effects arising from the client acting on your advice and actively consider the broader, long-term interests and likely circumstances of the client.

**Standards of Quality process**

**Standard 7**
The client must give free and informed consent to all benefits you and your principal will receive in connection with acting for the client, including any fees for services that may be charged. If required in the case of an existing client, the consent should be obtained as soon as practicable after this Code commences.

**Standard 8**
You must maintain complete and accurate records of services (including advice) you provide to each client, including former clients.

**Standard 9**
All advice you give, and all products you recommend, to a client must be offered in good faith and with competence and be neither misleading nor deceptive.

**Standards of Professional commitment**

**Standard 10**
You must develop, maintain and apply a high level of relevant knowledge and skills.

**Standard 11**
You must cooperate with ASIC and monitoring bodies in any investigation or breach of the Code.

**Standard 12**
Individually and in corporation with peers, you must maintain and promote the ethical standards of the profession, and hold each other accountable for the protection of the public interest.

**Our values**
A relevant provider must always act to realise and promote the values of:
- **Trust**
- **Competence**
- **Honesty**
- **Fairness**
- **Diligence**

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A relevant provider is defined in the Corporations Act 2001 (Cth) as an individual authorised to provide personal advice to retail clients in relation to relevant financial products.
New entrant

**Education required**
Approved Degree (24 subjects at AQF7)

**from**
January 1 2019

**OR**
- Approved Graduate Diploma (AQF5)
- Approved Masters Degree (AQF6)

All with embedded bridging knowledge areas

Existing adviser with approved degree

**Education required**
FASEA approved Bachelor Degree (AQF7) or Graduate Diploma (AQF6) or Masters Degree (AQF6) already meets the qualification requirements.

Existing adviser with relevant degree

**Education required**
Bridging Course
1 subject - FASEA Code of Ethics at AQF5

**by no later than**
Jan 1 2024

Existing adviser with non-relevant degree

**Education required**
Approved Graduate Diploma
7 subjects at AQF6

**by no later than**
Jan 1 2024

Existing adviser with no degree

**Education required**
Approved Graduate Diploma
6 subjects at AQF6

**OR**
Other approved qualifications
- Bachelor Degree (AQF7) or Masters Degree (AQF6)

**by no later than**
January 1 2024

**Bridging Course subjects**
- Financial Advice Regulatory & Legal Obligations ( Corporations Act, AML, Privacy & TPB)
- The FASEA Code of Ethics and Code Monitoring Bodies
- Behavioural Finance: Client and Consumer Behaviour, Engagement and Decision Making

**RPL - Recognition of Prior Learning**
1. Holds an Advanced Diploma of Financial Planning - 2 credits
2. Completed approved coursework to attain a designation (e.g. FPAs, Sunit CFP, FchFP, v5 of 2014) - 2 credits
Accreditation Process
Accreditation Process

- **Application**: Completed by Higher Education Provider (HEP) by due date. FASEA review and request for more information as required.
- **Response**: Applicant response by FASEA.
- **Refinement of application**: Communication and refinement of applications between applicant and FASEA.
- **Site visit**: Site visit scheduled. Site visit completed by FASEA and an expert panel (consisting of representatives from Education, Financial Advice and Consumer).
- **Assessment report**: Report completed by FASEA, detailing outcomes for each standard.
- **FASEA approval**: Report for each applicant tabled for FASEA approval.
- **Assessment decision**: Applicant notified of decision.
- **Approved list updated**: Accredited provider's details placed on FASEA website and Legislative Instrument updated at next opportunity.

**6-8 weeks**
## FASEA Curriculum

### Core knowledge areas

<table>
<thead>
<tr>
<th></th>
<th>Core Knowledge Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Financial advice principles</td>
</tr>
<tr>
<td>2</td>
<td>Ethics and professionalism (including the FASEA Code of Ethics and Code Monitoring Bodies)</td>
</tr>
<tr>
<td>3</td>
<td>Superannuation and retirement planning</td>
</tr>
<tr>
<td>4</td>
<td>Estate planning</td>
</tr>
<tr>
<td>5</td>
<td>Insurance planning and risk management</td>
</tr>
<tr>
<td>6</td>
<td>Taxation (as per Tax Practitioners Board requirement)</td>
</tr>
<tr>
<td>7</td>
<td>Investments</td>
</tr>
<tr>
<td>8</td>
<td>Commercial law (as per Tax Practitioners Board requirement)</td>
</tr>
<tr>
<td>9</td>
<td>Financial plan construction (Capstone)</td>
</tr>
<tr>
<td>10</td>
<td>Financial advice, regulatory and legal obligations (Corporations Act, Tax Practitioners Board, Anti-Money Laundering &amp; Privacy)</td>
</tr>
<tr>
<td>11</td>
<td>Behavioral finance, client and consumer behaviour, engagement and decision making</td>
</tr>
</tbody>
</table>
### FASEA Standards

#### 18 standards

| Standard 1 | Mission               |
| Standard 2 | Governance            |
| Standard 3 | Student outcomes      |
| Standard 4 | Assurance of learning |
| Standard 5 | General requirements  |
| Standard 6 | Professional interactions |
| Standard 7 | Staff resources       |
| Standard 8 | Student support       |
| Standard 9 | Support services      |
| Standard 10 | Student admission and credit/RPL |
| Standard 11 | Financial advice curriculum |
| Standard 12 | The continuum of learning |
| Standard 13 | Teaching and learning |
| Standard 14 | Assessments           |
| Standard 15 | Communications skills |
| Standard 16 | Evaluation and review |
| Standard 17 | Professional practice access for staff & students (WIL) |
| Standard 18 | Accreditation requirements |
Working with TEQSA
Working with TEQSA – During Development of Standards

- Formation of Standards:
  - Memorandum of Understanding (MOU)
  - Policy advice
  - Info sharing
  - Early conversations on FASEA standards design
  - Final review of draft standard for alignment to RPL policies for transition period
- Higher Education Provider Issue Management
  - RPL inconsistencies
  - Marketing activity
- Accreditation
  - Joint pilot of non self-accrediting providers
- Potentially leverage Register of Experts
Working with TEQSA – going forward

• Policy advice and input
• Info sharing
• Higher Education Provider issue management
  • RPL inconsistencies
  • Surveillance specifically regarding transition requirements
• Accreditation of non self-accrediting providers
Approved Degrees
Higher Education Provider Approved Degree History

- FASEA will make available on the website a PDF for each Higher Education Provider to list
  
  1. Approved current:
     - Degrees
     - Graduate Diplomas
     - Bridging Courses
     - Approved study undertaken towards a relevant professional designation (RPL for EA pathways)
  
  2. Approved historical:
     - Bachelor Degrees
     - Master Degrees
     - Graduate Diplomas
     - Approved study undertaken towards a relevant professional designation (RPL for EA pathways)

- All courses will also be listed in the Degree, Qualification and Courses Standard Legislative Instrument
Higher Education Provider Approved Degree - Site Visit

- Expert Panel will be established for accreditations and site visits.
- These panels will consist of:
  - Academic – Financial Planning Expertise
  - Industry Practitioner
  - Consumer Representative
  - FASEA Representative
Bridging Courses
Bridging Courses

• Bridging courses can be approved through a single course approval process (streamlined) or as part of a program approval process where those courses are embedded in a degree program.

• In the case of a single course approval, the provider will request the template for this process which will include:
  • key areas for assessment of the Bridging course(s) including:
    • The curriculum
    • Assessment
    • Volume of learning
    • Provider details
    • Teaching team/expertise and modality
Education courses leading to relevant professional designations
Education to attain relevant approved professional designation

• FASEA recognises the role of education undertaken to obtain relevant professional designations

• FASEA has determined an RPL standard for existing advisers in regard to certain education pathways (see FPS001 FASEA Policy Statement - Education Pathways for details of this)

• FASEA also recognises that this education may or may not be provided according to the Higher Education Framework operated by TEQSA
Concluding Comments
Next Steps

• Standards
  • Examination – released for consultation
  • Final instruments registered before end of year:
    • Provisional Relevant Provider Term
    • Work & Training (Professional Year)
    • Continuing Professional Development
    • Relevant Providers Degrees, Qualifications and Courses
    • Code of Ethics
  • Foreign Qualifications policy finalised before end of year
  • Examination final instruments registered by mid January
  • Degree assessment services available in January

• Accreditation Program
  • Accreditation of coursework for professional designation
  • University program template published on website
  • Timetable for accreditation program – new and re-accreditation
Thank You
TEQSA AND PROFESSIONAL ACCREDITATION BODIES FORUM 2018

FASEA UPDATE

Dr Mark Brimble
Financial Adviser Standards and Ethics Authority
14 December 2018