



**Financial Adviser Standards and Ethics Authority**

# **Existing Adviser Qualifications Pathway**

## **Proposed Guidance**



## INTRODUCTION

The purpose of the *Corporations Amendment (Professional Standards of Financial Advisers) Act* 2017 is to raise the professional, education and ethical standards of financial advisers.

One of the ways the Act will achieve this is by requiring that financial advisers meet certain education and training standards, and these are set out in section 921B:

### Meaning of education and training standards

- (1) This section sets out the education and training standards for a person who is, or is to be, a relevant provider.

#### *Conditions for relevant providers*

- (2) The first standard is that:
- (a) the person has completed a bachelor or higher degree, or equivalent qualification, approved by the standards body under section 921U; (or
  - (b) both of the following conditions are satisfied:
    - (i) the person has completed a foreign qualification;
    - (ii) the standards body has approved the foreign qualification under section 921V.)

## Who must comply with these requirements?

The *Corporations Amendment (Professional Standards of Financial Advisers) Act* 2017 defines, in section 910A, a **relevant provider** as follows:

a person is a relevant provider if the person:

- (a) is an individual; and
- (b) is:
  - (i) a financial services licensee; or
  - (ii) an authorised representative of a financial services licensee; or
  - (iii) an employee or director of a financial services licensee; or
  - (iv) an employee or director of a related body corporate of a financial services licensee; and
- (c) is authorised to provide personal advice to retail clients, as the licensee or on behalf of the licensee, in relation to relevant financial products.

A **relevant financial product** is defined to mean:

financial products other than:

- (a) basic banking products; or
- (b) general insurance products; or
- (c) consumer credit insurance; or
- (d) a combination of any of those products.



## When is compliance with this standard required?

### Section 1546B Existing providers to meet certain education and training standards

#### *Completion of qualifications*

(1) An existing provider must have done either of the following by 1 January 2024:

- (a) met the education and training standard in subsection 921B(2);
- (b) completed one or more courses determined by the standards body to give the provider qualifications equivalent to that standard.

Note: The standard in subsection 921B(2) is that a person has completed a bachelor or higher degree, or equivalent qualification, approved by the standards body, or a foreign qualification approved by the standards body.

(2) To avoid doubt, an existing provider may meet the education and training standard in subsection 921B(2), or complete one or more courses in accordance with paragraph (1)(b) of this section, before this section commences.

## The role of the Standards Authority

In the context of this standard, the Financial Adviser Standards and Ethics Authority is required under section 921U (2)(a)(i), by legislative instrument to:

*approve bachelor or higher degrees, or equivalent qualifications, for the purposes of paragraph 921B(2)(a);*

## Disclaimer

The proposals, explanations and examples in this paper do not constitute legal advice.

### CONSULTATION

FASEA will be seeking stakeholder views on the practical application of its proposed guidance.

A Consultation Framework will be released in early 2018 - initiating a process that will run until 29 June 2018.

In the spirit of providing early information, the proposed guidance is released in advance of the release of the consultation program and tools.



## Proposed Guidance for Existing Adviser Qualifications Pathways

The Standards Authority recognises the importance of providing early guidance to Existing Advisers, to assist them to plan for their education and compliance goals over the next six years and has released proposed guidance that states:

- A. The Standards Authority proposes that the requirement for Existing Advisers to meet their *education and training standards* obligation as a *relevant provider*, is that they:
- 1) have *already satisfied the Education Standard requirement* if they hold an approved qualification (i.e. one that is on the FASEA/FPEC approved register), or
  - 2) have completed, by 1 January 2024, an AQF7 qualification that is an approved qualification (i.e. one that is on the FASEA/FPEC approved register), or
  - 3) have completed, by 1 January 2024, a course that offers at least 8 units/courses, at AQF level 8, covering fields that include:
    - ethics, professional attitudes and behaviours
    - financial planning and advice process
    - technical requirements

### NOTES

- i. In making this statement, FASEA is responding to the legislative requirement under the Corporations Amendment (*Professional Standards for Financial Advisers*) Act 2017 (s 921B(2)(a)) for a relevant provider to have *completed a bachelor or higher degree, or equivalent qualification, approved by the standards body under section 921U*.
- ii. An 8 unit AQF8 program typically leads to a Post Graduate Diploma (AQF8) qualification outcome.
  - A Post Graduate Diploma typically takes 2 years part-time to complete.
  - Admission into an AQF8 program without a Degree will typically require at least 5 years' experience.
  - Entry to an AQF8 may require completion of a potential Graduate Certificate, nested qualification for people without prior AQF7 (or higher) qualifications.
- iii. The 8 units/courses will be drawn in the first instance from the core body of knowledge in the FPEC approved curriculum, until a FASEA curriculum Standard is established.
- iv. Category A qualifications are currently the only qualification that FASEA has determined to satisfy the education and training standards requirement.



- v. Approval of all other courses (qualifications) will be required. In the interim, approval will continue under the joint FASEA/FPEC framework until such time as the FASEA Standard on Qualifications Accreditation is released, anticipated to be before the end of 2018.
- vi. FASEA will maintain the register of all approved qualifications.
- vii. Courses are currently available and will progressively become available and listed on the FASEA/FPEC approved qualifications register. The FPEC register has been in existence since 2011.
- viii. The Standards Authority understands the interest in specialist areas of practice and note that approval of other qualifications (including specialisation qualifications related to the provision of personal advice to retail clients on specialist relevant financial products), will be progressively considered.
- ix. The Australian Qualifications Framework (**AQF**) is the policy for regulated qualifications in the Australian education and training system. All regulated qualifications are described in accordance with a level (e.g. AQF 1 through to AQF 10). A bachelor degree is identified at the level of AQF7 ([www.aqf.edu.au](http://www.aqf.edu.au)).
- x. The Financial Planning Education Council (**FPEC**) is the independent accreditation body established by the Financial Planning Association of Australia in 2011, to set the standards for accreditation of university and higher education courses in financial planning.

Proposed Guidance Statement on Qualifications Pathways for Existing Advisers who already hold qualifications at AQF7 or above

- B. Advisers who have previously undertaken qualifications (at AQF7 or above), that are not approved qualifications (i.e. they are not within Category A).
- 1) For those Advisers, holding a qualification that is titled as a Financial Planning/Advice qualification (or has a recognised major in financial planning/advice), but:
    - o is NOT an approved qualification (i.e. it is not on the FASEA/FPEC approved register, which has been in existence since 2011), OR
    - o it was NOT completed within the last 10 years, THEN

The Standards Authority issues the following proposed guidance that Advisers in this circumstance may choose to:



- a) Undertake an approved qualification before the compliance date of 1 January 2024. There is a range of programs in the marketplace already and FASEA anticipates more options will become progressively available, OR
- b) Undertake an approved bridging course before the compliance date of 1 January 2024. FASEA has not yet approved any bridging course options, and anticipates these courses will become available from 2019 (see section on bridging courses), OR
- c) Approach an approved education provider to make up those studies through individual unit study.

Note: As part of its consideration of the Degree Equivalence Standard FASEA intends to include consideration of the means by which existing advisers may have their qualifications reviewed.

The Standards Authority issues the following proposed guidance for Higher Education providers that have issued qualifications:

- a) Institutions that have awarded a qualification (Degree or Higher issued since the inception of the AQF in 1995) that is essentially similar to an approved Degree (i.e. it contains at least 10 of the same 12 core subjects as a program that is approved) will be able to make an application to FASEA to have their qualification retrospectively approved.
  - i. FASEA will develop a process for consideration of these applications, after release of the FASEA Qualifications Accreditation Standard (which will describe how Providers and Programs will be assessed for FASEA approval and will replace the current FPEC requirement). That release is anticipated before the end of 2018. A fee may apply to this process.
  - ii. FASEA will maintain a register of all approved qualifications.
- 2) For those Advisers with a Degree (AQF7 or above) qualification in a related discipline (i.e. Accounting, Financial Services, Business, Commerce, Finance or Law), that has Financial Planning/Advice related study but does not meet the requirements for a recognised major in financial planning/advice, it is unlikely that the qualification will contain the relevant core courses stipulated in the FASEA/FPEC requirements.

The Standards Authority issues the following proposed guidance that Advisers in this circumstance may choose to:



- a) In the first instance, undertake an approved program before the compliance date of 1 January 2024. There is a range of programs in the marketplace already and FASEA anticipates more options will become progressively available, OR
- b) Undertake an approved bridging course before the compliance date of 1 January 2024. FASEA has not yet approved any bridging course options as yet, and anticipates these courses will become available from 2019 (see section on bridging courses).

Recognition of Prior Learning (RPL) options for credit or exemption may be available for Advisers in this category (see section on RPL).

- 3) For those Advisers with a Degree (AQF7 or above) qualification in an *unrelated* discipline, the qualification will not contain the relevant core courses stipulated in the FASEA/FPEC requirements.

The Standards Authority issues the following proposed guidance that Advisers in this circumstance may choose to (as for 2):

- a) In the first instance, undertake an approved program before the compliance date of 1 January 2024. There is a range of programs in the marketplace already and FASEA anticipates more options will become progressively available, OR
- b) Undertake an approved bridging course before the compliance date of 1 January 2024. FASEA has not yet approved any bridging course options, and anticipates these courses will become available from 2019 (see section on bridging courses).

Recognition of Prior Learning (RPL) options for credit or exemption may be available for Advisers in this category (see section on RPL).

*Proposed Guidance Statement on Qualifications Pathways for Existing Advisers who do not hold an AQF7 (or above) qualification.*

C. For those Advisers, the Standards Authority issues the following Proposed Guidance:

- 1) FASEA encourages Advisers to undertake an approved program before the compliance date of 1 January 2024. There is a range of programs in the marketplace already and FASEA anticipates more options will become progressively available.



In making this statement FASEA:

- i. anticipates that a wide range of postgraduate (AQF8) programs offering different content and delivery options will emerge from approved providers, to support the needs of the Adviser community.
- ii. notes that compliance is required before 1 January 2024, allowing six (6) years of available time to complete approximately (two) 2 years of part-time study. Beginning a program as soon as practical will allow the maximum time to achieve compliance and to spread the education and study options over an optimal timeframe. More educational choices (programs and providers) are anticipated to become available as the compliance deadline moves closer.
- iii. acknowledges that many Advisers are likely to have already gained a variety of education experiences, qualifications and potential certifications through their varying years of practice. Recognition of Prior Learning (RPL) options may apply for the completion of CPD and other education courses by experienced Advisers. Currently, RPL is a matter of individual policy for each Higher Education provider. FASEA intends to review RPL practices and will issue further guidance in the future.

#### Guidance on Equivalent Qualifications and bridging course options.

D. In relation to equivalent qualifications and bridging courses, the Standards Authority makes this initial comment:

- 1) FASEA has not yet made any determination on bridging course options and is uncertain how many programs will be developed. Approved bridging courses (as opposed to approved qualifications) can only be developed and approved after the finalisation of the FASEA Qualifications Accreditation Standard, anticipated to be before the end of 2018.
- 2) FASEA intends to further consider the issue of *equivalent qualifications* and *courses*, as they relate to obligations under Section 1546 B (1) (b) of the Act, namely:

1546B Existing providers to meet certain education and training standards

#### *Completion of qualifications*

(1) An existing provider must have done either of the following by 1 January 2024:

- (a) met the education and training standard in subsection 921B(2);





(b) completed one or more courses *determined by the standards body to give the provider qualifications equivalent to that standard.*

*Standards body may determine courses*

- (7) The standards body may, by legislative instrument, determine courses for the purposes of paragraph (1)(b).
- 3) There may be a requirement to issue further guidance on education pathways and options, to ensure that the legislative requirements are achieved.
  - 4) As detailed here, a course that offers at least 8 units/courses, at AQF level 8, (covering relevant fields), through a formal qualification pathway (leading to the award of a Post Graduate Diploma) is the preferred option.
  - 5) Some qualifications that meet (or exceed) this requirement are immediately available. FASEA anticipates that an increasing range of 2 year part-time qualifications pathway options are likely to become available in the near future, and may become the dominant education option for the Existing Adviser community.

Guidance Statement on Recognition of Prior Learning (RPL).

- E. In relation to recognition of prior learning, the Standards Authority makes this initial comment:
- 1) It is acknowledged that many Advisers are likely to have already gained a variety of education experiences, qualifications and potential certifications through their varying years of practice and that in some cases, such education will provide recognition of prior learning (RPL) options for Advisers.
  - 2) Recognition of Prior Learning (RPL) options may be relevant for credit or exemption options with approved qualifications.
  - 3) Currently, RPL is a matter of individual policy for each Higher Education provider. In awarding credits or exemptions or other streamlining options, those providers are required to meet their regulatory obligations under TEQSA.
  - 4) FASEA intends to monitor and review RPL practices and will issue further guidance in the future.



## General Comments

- 1) In making this statement, FASEA is responding to the legislative requirement (s 921B(2)(a)) for a relevant provider to have completed a bachelor or higher degree, or equivalent qualification, approved by the standards body under section 921U.
- 2) FASEA acknowledges that in achieving this legislative requirement, many Advisers in the industry will be required to undertake some form of education leading to a qualification before 1 January 2024.
- 3) Whilst the requirement for an Adviser to have completed a qualification is a legislative one, education is also a positive personal experience that may benefit the professionalisation goals for the Australian advice community and Australian consumers of financial advice.
- 4) The Standards Authority has issued this *proposed* guidance at this time, seeking to encourage education providers to increase the education options and qualifications available to Advisers, and delivering on the legislative goal to raise the professional, education and ethical standards of financial advisers.
- 5) A model decision tree is provided to assist in considering which pathway might apply for individual Advisers.

## Standards already released

### **New Entrant Degree Standard**

On 26 October 2017, the Standards Authority adopted the Financial Planning Education Council (FPEC) framework for approval of courses and programs at the level of AQF7 Bachelor Degree (made up of 24 courses, of which 12 would be core).

The Standards Authority advised that, in order to provide direction for employers, higher education providers and students, the Financial Planning Education Council (FPEC) framework would be adopted and adapted through 2018, so as to develop a FASEA Standard that responds to the broader requirements of the legislation and the needs of industry

A copy of the release and a list of providers and programs is available on the FASEA website ([www.fasea.gov.au](http://www.fasea.gov.au))

That release also noted that the New Entrant Degree Standard would inform pathways for Existing Advisers.



## Purpose of consultation

### What we will be consulting on

The Standards Authority has proposed that the requirement for Existing Advisers to meet their *education and training standards* obligation as a *relevant provider*, is that they:

- 1) have ***already satisfied the Education Standard requirement*** if they hold an approved qualification (i.e. one that is on the FASEA/FPEC approved register), or
- 2) have completed, by 1 January 2024, an AQF7 qualification that is an approved qualification (i.e. one that is on the FASEA/FPEC approved register), or
- 3) have completed, by 1 January 2024, a course that offers at least 8 units/courses, at AQF level 8, covering fields that include:
  - ethics, professional attitudes and behaviours
  - financial planning and advice process
  - technical requirements

The Standards Authority recognises that there are many variations of qualification and background in the Existing Adviser community and will be **seeking views** on the **practical application** of the proposed guidance.

### Introductory comments

FASEA acknowledges that this proposal will require many participants in the industry to undertake some form of education leading to a qualification before 1 January 2024. The requirement for education is in accordance with the Act, and is reflected in the second reading speech to the Parliament on the proposed Bill by the Minister for Revenue and Financial Services (**The Hon. Kelly O'Dwyer MP**, made on 7/2/17), where the Minister stated:

*The Corporations Amendment (Professional Standards of Financial Advisers) Bill 2016 is intended to raise the professional, education and ethical standards of financial advisers.*

The Act formalises that expectation by setting out the standards for a relevant provider (an Adviser) in *s 921B (2)*

- (a) the person has completed a bachelor or higher degree, or equivalent qualification, approved by the standards body under section 921U; (or



- (b) both of the following conditions are satisfied:
- (i) the person has completed a foreign qualification;
  - (ii) the standards body has approved the foreign qualification under section 921V.)

The key goal of the consultation process will be on the practical application of the proposed guidance and how the Adviser community might be supported in adoption of the requirement. The Standards Authority will not be seeking submissions or comment on whether education should be undertaken or whether *a bachelor or higher degree, or equivalent qualification*, is the correct level of qualification.

The Standards Authority acknowledges that there are many Advisers with a wide variety of experience and from diverse professional backgrounds, who may already hold qualifications. This proposed guidance is not intended to provide a definitive solution for individual Advisers in all circumstances, instead it proposes recommended pathways of new qualifications for Advisers and in that regard, the Adviser pathway options schematic (Fig 1. overleaf) may assist.

## CONSULTATION

A Consultation Framework will be released in early 2018 - initiating a process that will run until 29 June 2018.

Adviser pathway options (Fig. 1)

