



Australian Government

Australian Government response to the
Parliamentary Joint Committee on Corporations and Financial
Services report:

*Inquiry into proposals to lift the professional, ethical and
education standards in the financial services industry*

August 2017

Recommendation 1

The term 'general advice' in the *Corporations Act 2001* be replaced with the term 'product sales information' to better reflect the nature of that information.

The Government **notes** the recommendation.

The Government agreed to rename 'general advice' to improve consumer understanding as part of the Government's response to the Financial System Inquiry.

The Government will consult with a wide range of stakeholders and conduct consumer testing before finalising the new term.

Recommendation 2

The term 'personal advice' in the *Corporations Act 2001* be replaced with 'financial advice' to better reflect the nature of that advice.

The Government **notes** the recommendation.

The *Corporations Amendment (Professional Standards of Financial Advisers) Act 2017* (Professional Standards Reforms) incorporates the terms 'relevant financial product' and 'relevant provider' into the *Corporations Act 2001* and protects the use of the term 'financial adviser' and 'financial planner' for individuals that meet higher education, training and ethical standards.

These changes clarify the current use of the term 'personal advice' by making it clearer to consumers that only individuals that have met the required standards can provide 'personal advice' to consumers on complex financial products.

Recommendation 3

A financial adviser will only be permitted to provide advice if they are registered.

The Government **agrees** to the recommendation.

Under the Professional Standards Reforms, all financial advisers who are authorised to provide advice personal advice to retail clients on complex products will be listed on the Financial Adviser Register.

Recommendation 4

The terms 'financial adviser' and 'financial planner' will be restricted to those who meet the new professional standards.

The Government **agrees** to the recommendation and is implementing it through the Professional Standards Reforms.

The Reforms specify that only financial advisers who have met specific education, training and ethical standards may use the titles 'financial adviser' and 'financial planner', terms of like import and combinations of words which include these terms when dealing with retail clients.

Recommendation 5

The Register:

1. include the information fields announced by Government on 24 October 2014;
2. have a unique identifier that follows every individual adviser throughout their career;
3. only list financial advisers on the register when an approved professional association advises that the adviser has completed the requirements of the Finance Professionals' Education

The Government **agrees** to the recommendation with modifications.

1. On 31 March 2015, the Government established the Financial Advice Register (the Register) to list the following information on financial advisers:
 - the adviser's name, registration number, status, and experience;
 - the advisers' qualifications and professional association memberships;
 - the adviser's licensee, previous licensees/authorised

Parliamentary Joint Committee's recommendation

Government response

Council approved professional year and passed the registration exam;

4. record any higher qualification awarded by a professional body to the adviser;
5. annotate any censure or limitation placed on a financial adviser by a professional body, ASIC or a licensee; and
6. highlight that an adviser is no longer authorised to provide financial advice if the adviser has their membership of the nominated professional body suspended or revoked.

representatives and business name;

- what product areas the adviser can provide advice on;
 - any bans, disqualifications or enforceable undertakings; and
 - details around ownership of the financial services licensee and disclosure of the ultimate parent company where applicable.
2. The *Corporations Act 2001* provides ASIC with the power to give a financial adviser a unique number.
 3. From 1 January 2019, financial advisers will need to have a degree or equivalent qualification and have passed an exam to be listed on the Register. These advisers will be listed on the Register on a provisional basis until they have completed a professional year. Existing advisers (who are already on the Register) will have until 1 January 2021 to pass the exam and 1 January 2024 to meet the education requirements.
 4. Information about education qualifications and training completed by the financial adviser are listed on the Register.
 5. Any bans, disqualifications or enforceable undertakings are also listed on the Register. In addition, the Professional Standards Reforms will make further enhancements to the Register, by requiring licensees and monitoring bodies to notify ASIC of changes to a financial advisers education qualifications and breaches of the Code of Ethics or continuing professional development (CPD) requirements. This information will

generally be reported to ASIC and made available to consumers through the Register within 30 business days.

6. The Register clearly highlights the status of a financial adviser. From 1 January 2020, all financial advisers will need to be a member of an ASIC-approved professional association or independent third party that monitors and enforces the Code of Ethics. The status of a financial adviser will be contingent on maintaining membership with a monitoring body.

Recommendation 6

Fees for organisational licensees will be increased to reflect the scale of the financial advice operations.

The Government **notes** the recommendation.

The Government has committed to recover ASIC's regulatory costs from ASIC's regulated population from 2017-18 onwards through a combination of levies and fees-for-service.

Industry funding will ensure that the costs of regulation are borne by those entities that have created the need for it, rather than the Australian public.

Recommendation 7

Financial advisers will be required to complete a degree at AQF level 7 and a structured professional year.

The Finance Professionals' Education Council should set the core and sector specific requirements.

The Government **agrees** to the recommendation with modifications.

Under the Professional Standards Reforms, all financial advisers will need to complete a bachelor or higher or equivalent qualification. The degree and equivalent qualifications are to be determined by the standards body.

Recommendation 8

ASIC should only list a financial adviser on the register when they have:

- satisfactorily completed a structured professional year and passed the assessed components; and
- passed a registration exam set by the Finance Professionals' Education Council administered by an independent invigilator.

The Government **agrees** to the recommendation with modifications.

Under the Professional Standards Reforms, individuals are prohibited from providing unsupervised advice until they complete a degree or equivalent qualification, pass an exam set by the standards body and undertake at least one year of work and training (the professional year).

New advisers can be listed on the register on a 'provisional basis' once they have met the degree or equivalent qualifications and passed the exam. Provisional relevant providers (those advisers who are completing their professional year) will be listed on the register, with their provisional status noted, and allowed to assist in the giving of advice while being supervised by a fully qualified adviser.

Financial advisers that are currently on the Register will have until 1 January 2021 to pass the exam and 1 January 2024 to meet the degree or equivalent requirement to maintain a 'current' status on the Register.

Recommendation 9

Financial advisers will be required to complete ongoing professional development.

The Government **agrees** to the recommendation and is implementing the recommendation through the Professional Standards Reforms.

Under the Professional Standards Reforms, financial advisers will have an obligation to complete CPD. Licensees have an ongoing obligation to ensure that their financial advisers comply with the CPD requirement determined by the standards body.

Recommendation 10

An independent body will be established by professional associations approved by the Professional Standards Councils (PSC) to:

1. **set curriculum requirements (where relevant working with ASIC);**
2. set the requirements for the professional year;
3. develop and administer an exam;
4. establish recognised prior learning pathways for existing advisers; and
5. set the requirements for continuing professional development.

The independent body will:

6. comprise representatives from professional associations approved by the PSC, academics, consumer advocates and an ethicist; and
7. be funded by industry.

The Government **agrees** to the recommendation with modifications.

The Government will establish a Commonwealth company as the standards body to:

1. approve degrees or higher or equivalent qualifications (including foreign qualifications);
2. determine the requirements for the professional year (including setting supervision or other requirements);
3. approve and/or administer the exam;
4. recognise bridging courses for existing advisers to raise their qualifications to an equivalent level; and
5. determine the CPD requirements.

In addition, the standards body will also set the Code of Ethics.

The standards body will be governed by independent board comprised by nine board members including: an independent chair; three industry representatives representing practitioners and licensees; three consumer representatives; an ethicist; and a person with education/standard setting experience.

The cost of establishing the body will be met exclusively by nine large financial service licensees. The Government will take steps to develop an ongoing industry funding model for the body as soon as practicable.

Parliamentary Joint Committee's recommendation

Government response

Recommendation 11

Financial advisers will be required to subscribe to a code of ethics developed by their professional association and approved by the PSC.

The Government **agrees** to the recommendation with modifications.

The standards body will develop a Code of Ethics. All financial advisers must comply with the Code.

Compliance of the Code will be monitored and enforced by ASIC-approved professional associations or independent third parties.

Recommendation 12

Financial sector professional associations that wish to have representation on the independent body and to be able to make recommendations to ASIC regarding the registration of financial advisers, should be required to establish Professional Standards Schemes under the PSC, within three years.

The Government **does not agree** to the recommendation.

There are substantial legal impediments to using the PSC or the Professional Standards Authority as an approving body under Commonwealth legislation.

Recommendation 13

Any individual wishing to provide financial advice should be required to be a member of a professional body that is operating under a Professional Standards Scheme approved by the PSC and to meet their educational, professional year and registration exam requirements.

The Government **does not agree** to the recommendation.

Financial advisers will not be required to be members of a professional association.

The Government's model will instead require financial advisers to be members of a professional association or an independent third party approved by ASIC.

Recommendation 14

An appropriate transitional schedule will be developed.

The Government **agrees** to the recommendation.

The new Professional Standards Reforms will commence on 1 January 2019.

Existing financial advisers will have access to transitional arrangements, allowing them two years, until 1 January 2021, to pass the exam, and five years, until 1 January 2024, to meet the education requirements.

This transition period is designed to give existing advisers sufficient time to comply, and ensure that prompt action is taken to raise minimum standards and improve consumer confidence.

