29 October 2014

FSU AUSTRALIA
www.fsunion.org.au

Att: Toni Matulick

Committee Secretary

PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES

Questions on notice:

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

Dear Toni Matulick

I am writing to respond to the Questions on Notice as detailed in the Proof Committee Hansard for the hearing conducted 13.10.2014 and in the email received from you on the 13.10.2014.

Questions on notice:

- How many people are Financial Planners within the FSU
- The basis for the selection for the Financial Planners who conducted the subsample
- Can the FSU comment on whether industry participants can bear the cost of adopting improved professional standards, and the impact of any associated costs
- Can you comment on any impact of not adopting improved professional standards

How many people are Financial Planners within the FSU.

It is not possible to quantify the number of FSU members that would be considered Financial Planners either by their own definition or that of the financial services sector i.e. banking, insurance and superannuation industries.

Whilst some in the financial services sector solely perform functions and a role that would be consistent with that of a financial planner, many employees perform those functions in conjunction with a myriad of other duties that would not be considered inconsistent with the role. Additionally, different employers have different job titles that are not homogenous either within their industry or across the financial services sector.

The basis for the selection for the Financial Planners who conducted the subsample.

The FSU has branches in located each of the key states of Australia.

The basis for selecting the participants for the sample was simply done by asking each of the state branches to recommend members who have some role in planning with whom they would have had recent contact with & who they felt would be interested in providing feedback to the survey.

Can the FSU comment on whether industry participants can bear the cost of adopting improved professional standards, and the impact of any associated costs.

Can you comment on any impact of not adopting improved professional standards.

The financial services sector has three main industries – banking/insurance/superannuation. Each of these industries comprises both large and small participants all with a different capacity to absorb any costs associated with improving professional standards and qualifications.

It is very imaginable for example that any of the big four from banking (ANZ, CBA, NAB, WBC) would be in a much better position to cope with any internal adjustments associated with the introduction of improved professional standards and qualifications, both from a cost and capacity perspective than say a smaller competitor credit union. The same is equally imaginable for larger superannuation funds. Similar contrasts can also be drawn between large Investment and Planning firms and a local business that may only have two or three planners/advisers.

What must be taken into account in terms of timeframes for the introduction of new standards and qualifications is the intersection of the attainment and application of contemporary requirements with current industry pay models. Provision must be made to allow discussion and where necessary the renegotiation of the models between the relevant parties where applicable should the committee recommend changes.

It would also be prudent to mitigate the potential loss of corporate knowledge and an experienced workforce by seeking to rush the introduction of a new regime. Therefore, reasonable lead times that would enable the existing workforce to receive the necessary training and support to attain any new standards and qualifications should also be provided for.

The cost of not adopting a new set of standards and qualifications should be seen as both tangible and intangible. Wealth management is the new battleground for the sector, particularly with ballooning retirement income pools that will only get bigger. The competition for management of these and other investment funds is fierce due to the myriad of business benefits, including profit and funds access, that will flow from their control.

However and as the GFC and the recent CBA financial planning scandal taught us, the financial sector when left to its own devices will put its own interests above all others, including consumers. When those same consumers are compelled to be participants in the financial system, they should have confidence that the system is compelled by their regulators and legislators to ensure their best interests are at the forefront of the complex financial services system.

It is timely to reiterate the views of FSU members who contributed to the FSU's submission, who acknowledge that standards and qualifications such as RG146 are no longer sufficient for the complexities and rigours of the financial system in Australia. Members support higher standards and qualifications with regular, periodic refresher programs as a feature.
The FSU thanks the committee for the opportunity to address the Terms of Reference through our submission as well as the opportunity to further clarify and contribute to the inquiry.

Yours faithfully

Fiona Jordan
National Secretary
Finance Sector Union of Australia