

24 December 2015

Manager
Financial Services Unit
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: professionalstandards@treasury.gov.au

Dear sir/madam,

Re: Raising professional standards of financial advisers

In brief:

AIST supports the proposed requirements for financial advisers to require a bachelor's degree, a professional year and the passing of an exam. We also support the requirement of an industry-wide code of ethics administered by a body chosen by the Minister. AIST submit that the transitional provisions must ensure that practitioners have appropriate time to comply.

AIST welcomes the opportunity to make a submission on this exposure draft. AIST has long supported improved standards for advisers, and applauds this exposure draft, which will amend the *Corporations Act 2001* to ensure that advisers are appropriately educated, up to date and practising ethically.

Education and training standards

AIST welcomes the proposed training that requires advisers who provide a personal advice service to clients if they do not satisfy the new requirements to possess a bachelor's degree (or equivalent), have finished a professional year and pass an exam. Although the type of bachelor's degree is unspecified, we are concerned that discussion of what is a relevant degree is not considered in the explanatory memorandum. We look forward to consultation with the body on this key feature of the exposure draft.

We also support the requirement to ensure that continuing professional development (CPD) is completed and that this is enforceable on licensees. We also support the limitation of the terms "financial adviser" and "financial planner" to relevant providers. Although we consider this to be reasonable, AIST would support extending this provision to ensure that a person who is providing a personal financial product advice service is required to display the title "financial planner" or

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“financial adviser” on business cards, email signatures, or anywhere else where their actual position title may also appear. Regardless of the title given to such professionals by their organisation, this provision would ensure that no doubt could arise as to who is responsible for personal advice services provided to investors.

However, we do not support the limitations of this provision to “relevant financial products” which aren’t basic banking products, general insurance or consumer credit insurance. We do not believe that these products are necessarily “simple”, nor that they are immune to certain important concepts that are best explained by properly qualified financial advisers, such as interest rate risk, inflation, liquidity risk, as well as counterparty risk and technical insurance policy details. We recommend that the “relevant financial products” limitation is discarded to ensure that investors receiving any kind of personal financial product advice are appropriately protected.

Code of ethics

AIST supports the empowerment of a body to develop a code of ethics for professionals working within the industry. However, we do not support the ability for professionals to work under a compliance scheme that is not provided by a professional association.

Our primary concern with such arrangements is the proximity of the licensee to the adviser – we believe that a professional association provides a significant degree of distance to enable objective evaluation of complaints.

We support the requirement of licensees to ensure that their relevant providers are covered by such a scheme. We believe, however that a shorter grace period such as 30 days would be more appropriate to ensure that investors are not disadvantaged. We would prefer that there was no grace period at all, however we realise that this will not always be possible.

We support all measures to do with transparency around publication of the code and compliance schemes.

Register of relevant providers

AIST supports the move of the provisions around the register of relevant providers (the “Register”) from the *Corporations Regulations 2001* to the Corporations Act. In addition, we support amendments to the registers provision which mean that compliance with CPD and Code of Ethics requirements is better communicated by the Register. Lastly, we support the inclusion of a relevant provider’s principle place of business on the Register.

The standards body

AIST supports the provision to allow the Minister to nominate the standards body charged with setting the education and ethical standards for the industry. We believe that this will ensure that there is a “one-stop-shop” for financial advisers, licensees and compliance professionals seeking clarification about the requirements on relevant providers.

Transitional provisions

AIST generally supports the transitional provisions explained in Chapter 5 of the explanatory memorandum, however we point out that a worst case scenario may see relevant providers needing to undertake a bachelor’s degree from scratch. We note that the Australian Qualifications Framework typically recommends that a Bachelor’s degree takes three to four years full-time. We believe that it is unlikely that licensees will allow their staff to undertake anything other than part-time study, and consider that provision needs to be made for completion of a degree part-time. Such provision could take into account students who commenced part-time study at the commencement of the transitional period.

We support the provision for bridging courses, as well as the requirement for an exam.

If you have any further questions regarding this submission, please contact Richard Webb, Policy & Regulatory Analyst on 03 8677 3835 or at rwebb@aist.asn.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tom Garcia', written in a cursive style.

Tom Garcia
Chief Executive Officer

The Australian Institute of Superannuation Trustees is a national not-for-profit organisation whose membership consists of the trustee directors and staff of industry, corporate and public-sector funds.

As the principal advocate and peak representative body for the \$650 billion not-for-profit superannuation sector, AIST plays a key role in policy development and is a leading provider of research.

AIST provides professional training and support for trustees and fund staff to help them meet the challenges of managing superannuation funds and advancing the interests of their fund members.

Each year, AIST hosts the Conference of Major Superannuation Funds (CMSF), in addition to numerous other industry conferences and events.